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ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

MONTREAL, QUE.

JANUARY, 20, 1956

VOLUME 21







Montreal, Que,  
January 20, 1956

APPEARANCES: Mr. W. G. Miller,  
President,  
Montreal Locomotive Works Limited.

Mr. Edwin J. Cosford, President  
Mr. Grant Mitchell, Vice-President of  
Manufacturing, Railway Division  
Mr. A. C. Lawson,  
Canadian Car and Foundry Company, Limited

Mr. A. P. Shearwood, Chairman and  
Chief Executive Officer,  
Mr. H. J. Lang, President,  
National Steel Car Corporation, Limited

Mr. C. H. McAvoy,  
Vice-President,  
Eastern Car Company, Limited

Mr. J. G. Notman,  
President,  
Canadair Limited

Mr. A. L. Stein, Counsel,  
Mr. Harry Sherman, Chairman of Tariff  
Committee,  
Mr. D. Randolph, Administrator of  
Welfare Funds,  
Mr. H. S. Greenwood, Honorary President,  
Mr. Irving Kornbluth (of Irving Korny Inc.),  
Mr. I. Cordes, Executive Assistant,  
Montreal Dress Manufacturers Guild

Mr. Vernon E. Johnson,  
President,  
Canadian International Paper Company.

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THE CHAIRMAN: Gentlemen, shall we come to order? The first submission will be that of Mr. Miller, which I see is the Montreal Locomotive Works Limited, and we will mark his submission Exhibit 116. Will you present it, Mr. Miller?

MR. MILLER: Thank you. Mr. Chairman and members of the Commission: At the outset I should like to say that I am honoured by the invitation to appear before





the Royal Commission on Canada's Economic Prospects. It is stimulating to feel that we of Montreal Locomotive Works may contribute to the very important task of assessing Canada's economic growth.

In his letter of November 2, 1955, the Chairman invited comments on future developments in the railroad and rolling stock industry over the next five to twenty-five years; relation of production costs to those in the United States and how they may change through technological improvement; more even placing of orders or other factors to alleviate fluctuations in the industry; and advantages and disadvantages of diversification.

In commenting on these various points, I will restrict myself to the locomotive industry and, where it is appropriate, to Montreal Locomotive Works Limited. First, however, it will be useful to sketch some background.

Until 1948, only steam locomotives were manufactured in Canada on a production basis. Designs were not standardized and manufacture could only take place after designs and specifications were worked out for each particular order. Major materials and components could only be purchased for each order; they could not be stocked. Thus the effect was that manufacture was essentially a job shop operation.

While over the years steam locomotives were improved in efficiency and their hauling capacity was increased, the changes were not sufficiently marked to have any revolutionary effect. The result was that steam locomotives were purchased primarily to handle





increased haulage requirements of the railroads, in terms both of volume of traffic and speed. Therefore, the purchasing was done when the business of the railroads so required and justified. No other prudent course was indicated. The consequence, however, was the feast and famine cycle commonly associated with the industry. During the last twenty-five years of steam production at MLW, output ranged from no units during three of those years to 263 units in one year.

The diesel electric locomotive, production of which was started in Canada only in the last few years (the first on a production basis being at MLW in 1948), created an entirely different situation in the locomotive industry. In the first place, diesels are standard machines built to the manufacturer's designs and specifications. Design, development and tooling costs require this course. There are three basic types -- switching locomotives, road switchers also called general purpose machines and streamlined road locomotives. Of each type, each manufacturer may have one or more sizes measured in horsepower ratings. For each size rating of each type, each manufacturer offers one standard machine to all customers. There are variations in optional and extra equipment but the basic machine is standard. To meet the hauling requirements of the railroads, these standard machines may be used singly or two, three or four diesel units may be coupled together and operated with one crew from the leading unit. The result of this standardization is that manufacturers, with general knowledge of railroad requirements, can





maintain inventories of materials, plan production and even carry on manufacture in advance of receiving orders from their customers. In doing this, they of course accept a business risk, but the standard character of the machines puts them in a position to do it.

The other outstanding characteristic of the diesel electric locomotive is the return it earns on its investment through savings in operating costs over those of steam locomotives. While these savings and the return on investment vary considerably under different traffic conditions, their general order of magnitude is 50 per cent of operating cost and 25 per cent return on investment before taxes. The consequence is that, entirely aside from power required to handle increases in traffic, diesels are being purchased to replace steam to reduce costs. There is, in fact, a revolution in railroad motive power. And it should be stated that the Canadian railways are handling this revolution in an orderly manner. Their purchases have been programmed mainly on annual bases so that manufacturers have been enabled to project steady schedules and avoid unreasonable fluctuations in employment. In the past seven years, the quantities purchased each year have followed a generally rising trend and it is probable that purchases of diesels to replace steam will continue in as high volume as sound financing and absorption of diesels on railroad systems will permit.

One further difference between steam and diesel locomotives should be mentioned. For the former, the volume of replacement parts made by the manufacturer





was small. Railroad shops were equipped to handle many of those which the manufacturer had made for the original locomotives. For diesels, however, the same conditions which cause diesel locomotives to be standard machines make prohibitive the cost of production of replacement parts by a railroad. Thus diesel renewal parts are largely supplied by the manufacturers and this volume of business becomes an increasingly stabilizing factor in the locomotive manufacturing industry.

These conditions have permitted the development in Canada of a keenly competitive manufacturing industry operating without excessive fluctuations in output or employment, following a rising trend of business and producing finished products having a total value in the neighbourhood of \$50,000,000 per year. It employs in Canada skilled labour and technical personnel, uses substantial quantities of Canadian produced materials such as steel and copper, is a source of traffic for Canadian railways and in general works in the highly desirable direction of increasing in Canada the manufacture of finished products to support population growth. It has increased Canada's exports and has reduced the volume of imports particularly from the U.S.A. where an imbalance exists.

A matter of concern both in the locomotive industry and in that of its customers is the fact that costs are higher than those for equivalent locomotives in the U.S.A. While by and large the machines of each manufacturer in Canada are basically the same as those of its associate company in the





States, there have been instances of considerable redesign to suit Canadian conditions and thus production costs are not accurately comparable. The general levels of selling prices in Canada versus the United States may be considered as indicative; they are in the order of 12 to 15 per cent higher. There are two principal causes for the difference. The first is relative sizes of markets for which not only complete locomotives but also component parts are made. The larger markets in the United States permit either use of more single purpose tooling or more output from same types of facilities with resultant lower cost per component produced. The second is material cost and this in turn may be divided into two parts. The costs of most Canadian made material or purchased components are higher than those in the United States, presumably for the reasons just stated. There are, however, materials and components which are not made in Canada and must be imported from the United States. They include steel in forms not rolled in Canada or in quantities not obtainable in Canada during periods of high activity in the mills. They also include components whose manufacture in Canada presumably is not justified by the size of the market. Nevertheless, with the exception of diesel engine components, which may be imported duty free under Section 442-D if of class or kind not made in Canada, full duty must be paid. This duty is an appreciable factor in locomotive cost and will become greater if import duties on steel, particularly on types not produced in Canada, are increased. Locomotive costs and prices could be reduced if components and materials production of which in Canada is clearly uneconomic





could be imported duty free.

Otherwise, as in any manufacturing operation, cost reductions are continually sought through produce design modifications, improved methods and tools. Recent history, however, indicates that devaluation of the dollar proceeds more rapidly than cost decreases, both in Canada and the United States.

Barring a major economic upheaval, dieselization is expected to continue probably at a gradually increasing rate for several years followed by a levelling off and then by declining output to a substantially lower level of output than now exists. The eventual low level would probably be that required for traffic increases and to replace normal attrition of motive power. It may be guessed that this low level will be reached within five to ten years. It is possible that purchases of locomotives may then become more sporadic.

The question now arises as to whether new or improved forms of motive power may take the place of diesels. It is hard to visualize a type of power showing sufficient savings over diesel electric operation to justify wholesale replacement of diesels before the diesels have been pretty well written down. It is possible that improved power units might replace the diesel engine in existing locomotives thus conserving two-thirds to three-quarters of the original investment, although any such unit has not been developed. Whether a revolutionary form of locomotive may start to replace diesels after investment in them has been pretty well utilized in perhaps twenty years cannot be predicted





now. The most revolutionary possibility now appears to be an atomic reactor generating energy to run perhaps a gas turbine. There are two major difficulties in this area. One is the development of a reactor sufficiently small so that the locomotive would have general application as opposed to an excessively large unit usable only in high density traffic areas. More difficult of solution, however, is the safety problem. In case of collision, radioactive materials could not under any circumstances be permitted to escape. This presents a formidable design problem in a small mobile power plant.

It is more likely that other forms of motive power may compete with diesel electric in the replacement of existing steam locomotives. This condition probably would not have great effect on the volume of business to be done by the locomotive industry in the next five to ten years, although it might affect volume of business of individual companies. Hydraulic instead of electric power transmission may find application especially in smaller machines and gas turbines may be developed for general railroad motive power application. About 25 large oil fired machines are in use now in the United States and development work is being actively carried forward on coal fired gas turbines.

In the export market, with the benefit of duty drawback, Canadian manufacturers have competed and can compete with United States and European makers. As is generally known, the major problems are dollar exchange and long term financing. The services of the Export Credits Insurance Corporation have been helpful





in the past but it is not clear just what arrangements for long term credits may be required to compete with United States and European manufacturers in the future.

On the assumption that a revolutionary form of motive power will not replace diesels within five to ten years, our company has considered it wise to diversify. Active work in this direction has been done for several years with the result that at present approximately one-half of labour hours in our plant are spent on products other than diesel locomotives. These efforts will continue so that we will not again be in a condition of retrogression in the event of reduction of purchases of diesel locomotives. Our objective as a manufacturing enterprise is to grow with the Canadian economy and to do so we consider that a multiple product company offers sounder opportunities than a single product business for long term consistent growth.

THE CHAIRMAN: Thank you, Mr. Miller.

I was very impressed with your statement on page 5 that your selling prices are only in the order of 12 to 15 per cent higher than the United States. It is certainly a narrower spread than probably applies in a good many other cases. How do you do it?

MR. MILLER: Well, I imagine that sort of thing holds where you don't have large production, that is in an industry like the automobile industry or the consumer appliances, refrigerators, or this or that, you have a tremendous investment in single purpose tooling and the larger the output the more single purpose you can make it, the less general purpose and the lower the





cost per unit, and unlike a diesel locomotive, it is sort of in the middle. Certain parts of it don't lend themselves particularly to high production single purpose operation, and in certain areas of the locomotive we can produce at the same cost as in the United States. However, when you get into certain other components, such as the diesel engine, electrical equipment, where tooling plays a greater part, then you get a greater spread. And I would just sum it up, I suppose it is a sort of combination of the character and size and applicability to mass production.

THE CHAIRMAN: On the same page you were talking about the cost of the duty on the components and the material that you have to import?

MR. MILLER: Yes.

THE CHAIRMAN: If those components are not available in Canada, does not the class or kind sections of the Act apply? Do you have to pay duty on them?

MR. MILLER: Yes, we do. Now, I am not enough of a tariff expert, not any of a tariff expert --

THE CHAIRMAN: Well, that makes us even.

MR. MILLER: But diesel engine components, they are out, because they do come in under the Section 442D, which permits them to come in duty free. In the underframe of the locomotive there are two very large steel H-beams, which are of a type not rolled in Canada but still I suppose are considered -- this is pure supposition, I don't know -- I suppose they are considered to be structural, and structural things are produced in Canada, and therefore they take duty. That applies to a lot of air brake equipment, for instance, not much, I





Understand, because we do not make the air brake stuff ourselves. I understand not much of the locomotive air brake equipment itself is produced in Canada as opposed to equipment, for example, cars, yet it is, I suppose, considered to be air brake equipment and in it comes with a duty. That is sort of guesswork on my part.

THE CHAIRMAN: I have one other question I wanted to ask you. In talking about the sort of things that may happen in the future, you did refer to the fact that in the States there are some large oil fired machines, and then you said that work is actively being carried forward on coal fired gas turbines.

MR. MILLER: Yes.

THE CHAIRMAN: Something that we understand they are working on at McGill.

MR. MILLER: That is right.

THE CHAIRMAN: Would you have any opinion that you would care to express as to the likelihood of them being successful in developing --

MR. MILLER: I don't have really a particularly firm opinion. The locomotive development committee of the Bituminous Coal Research Institute in the United States is composed of a group of some nine railroads, coal carrying roads and four coal companies, and they have been working in an actual plant of American Locomotive in Dunkirk, New York, on a coal fired gas turbine for six years, I guess, -- a long time. It is very well along now. The one being developed by Dr. Mordell at McGill, of course he has not been under development that long, but it is being worked on; it uses a somewhat different principle. With all of





that work I would expect, yes, that a successful unit will be developed. What I don't know, I mean where my opinion is uncertain, if you like, is just how wide an application that might have, just how great the advantages over diesel might be or might not be because inherently the turbine is a less efficient machine thermodynamically than the diesel engine. Yet if the fuel and the maintenance can be reduced <sup>there</sup> and/is the incentive to use coal in certain areas, then there it might well have application.

THE CHAIRMAN: Of course, when we were in Halifax we heard a fair amount about this.

MR. MILLER: I dare say.

THE CHAIRMAN: And a great anxiety that it should be successful, and so on, in order to provide an outlet for their coal. It struck me that it was going to come a little late; in the meantime railroads have converted to the use of diesels and they are not going to throw the diesels out the window, presumably.

MR. MILLER: Could be. No, I don't think they are. I don't believe that it would show an operating saving over diesels sufficiently to throw them out, as I indicated in here.

THE CHAIRMAN: Yes.

MR. MILLER: But if the whole system has not been dieselized it might well have a place in certain areas.

THE CHAIRMAN: Yes.

MR. STEWART: There is just one question, Mr. Miller. On page 5, referring again to your material costs, there is a reference to inability to buy in quantities in Canada because the high activity in the mills





means that you cannot get your orders met. Now, have you had much of that experience in the last few years?

MR. MILLER: Well, we are having it currently, but that goes for the States, too, at the present time. We have had, I suppose, a fair amount actually, but I don't have any data with me to support it, but we have had, yes, over the last two or three years there have been a number of instances where we have had to go to the States.

MR. STEWART: Thank you.

MR. GRAUER: The 12 to 15 per cent differential in selling price that you mention on page 5 --

MR. MILLER: Yes.

MR. GRAUER: Can you give us an idea of what proportion of that results from the tax on steel, the tariff on steel of the type that is not made in Canada?

MR. MILLER: Well, not too much on the steel. I don't have any figure on that. For the portion of the locomotive that we make -- I mean we don't make the electrical equipment ourselves, and we don't make the diesel engine; they are made for us under licence -- the total tariff is in the order of \$1,000. Steel would only be a part of that. However, if you add up, if you go back to the sources of all the components, whether made by us or obtained by us, it would take quite a study, it would be considerably larger. But the amount of steel itself, I have not got that figure. I could have got it but I have not got it.

MR. GRAUER: It would be relatively small, would it?





MR. MILLER: Yes, it would.

MR. GRAUER: Something under 25 per cent of that differential?

MR. MILLER: Oh, I would say yes. I might add, however, that we are forever looking for cost decreases, however small. I mean we have continually to fight for savings.

MR. GRAUER: Yes. In the export markets do you have any or much business there currently?

MR. MILLER: At the moment we don't have any. We have made eighty odd locomotives for export over the last four years. At the moment we have no order on the books for export.

MR. GRAUER: The same tariff provisions would apply for export?

MR. MILLER: For export you get duty drawback.

MR. GRAUER: Yes. Which countries do you chiefly export to?

MR. MILLER: We have exported to three countries, Brazil, Mexico and Australia, although Australia is out now. They have stopped importing locomotives.

MR. GRAUER: They make them?

MR. MILLER: By government action they have to make them there and that is it.

MR. GRAUER: Do the so-called under-developed countries, like India and Indonesia and other South American countries, do they provide much of a potential market in your opinion?





MR. MILLER: Yes, I think they do. One of their problems is getting money.

MR. GRAUER: That is the main one, is it?

MR. MILLER: Yes, I think so.

MR. GRAUER: If that was taken care of do you anticipate that you could compete with other manufacturing countries?

MR. MILLER: Yes, definitely with the United States. Of course, the provision for 99 per cent duty drawback helps there because anything we bring in from the United States then costs us a quarter of one per cent more than down there. It is not enough to worry about, and we have competed for that business. I mean these various orders we got were in open competition. However, there is one thing that is going to make it more difficult, and that is the fact that industry in Europe, particularly in Germany, is becoming so much more active than it was that their competition is going to be tougher. Of course they have got considerably lower labour rates. The advantage we have had is that we have had well proven machines, by "we" I mean the industry here has had well proven machines on which the development costs have been written off over a tremendous number of machines, both in Canada and the United States, because they are basically all the same machines. Now with operating arrangements in one case, maybe a couple of cases, between companies in Germany and those in the United States, they will have the advantage of that written off development cost, so to speak, of U. S. designs, adaptations of them, and that is going to make it a little more difficult. It actually has not happened



yet -- well, yes, it may have in a couple of instances.

MR. GRAUER: Do you have any advantages against a country like Germany or an European country in the type of locomotive? Generally speaking our locomotives are heavier, aren't they, than the West European?

MR. MILLER: That is right. That is correct. However, there is at least one instance, and there might be another one, I am not too sure -- at least there is one important instance of an arrangement in Germany with a major manufacturer in the States so that that company in Germany therefore can use the same designs, or the same basic designs, as the company in the States, and produce a locomotive of the same general characteristics as we are producing over here.

MR. GRAUER: I take it the export market is hopeful but quite speculative, then. Is that the outlook?

MR. MILLER: Yes. Yes, I would say so. We are not putting all our eggs in that basket by any means.

MR. GRAUER: The present arrangements through the Export Credits Insurance Corporation apparently don't go far enough to meet the requirements, then?

MR. MILLER: They have. One of these orders was handled by them and it met the situation very well indeed. You keep hearing a lot of conversation about Germany extending credit for ten years and taking the money in the form of coffee beans or whatever, but actually when those things are run down you never seem to be able to put your finger on it having happened. However, just what is going to happen in the future I





don't know and I don't know whether it is actually a matter of the Export Credits Insurance Corporation. It is a complete banking financing problem.

MR. GRAUER: Thanks very much.

THE CHAIRMAN: Thank you very much, Mr. Miller. It has been a very helpful contribution.

MR. MILLER: Thank you, sir.

THE CHAIRMAN: Mr. Cosford? The next submission we will mark Exhibit 117. Mr. Cosford, the President and Managing Director of Canadian Car and Foundry, will you please proceed and present it?

MR. COSFORD: Thank you, Mr. Chairman. As President and Managing Director of Canadian Car & Foundry Company, Limited, I am pleased to have the opportunity of appearing before your Commission to express, on behalf of our Company, its views on the railway and rolling stock industry, in so far as the operations of this Company are concerned.

The Company was incorporated on October 29, 1909, with Head Office in the City of Montreal.

Prior to that date, there were three companies in Canada manufacturing railway equipment, namely: Canada Car Company Limited, Dominion Car and Foundry Company Limited, both located in Montreal, and the Rhodes Curry & Co. Limited located at Amherst, Nova Scotia.

At that time, railway rolling stock represented a fabricated or built-up technique. The trucks were of the arch-bar type of riveted pieces of standard rolled box stock sections. The body was





of wood construction and a great deal of frey and malleable iron were used as material components.

In 1910, the cast steel truck was introduced and adopted by the Association of American Railroads (A.A.R.) for interchange service between the different railways.

As a result of this new phase, our company decided to make its own steel castings and in 1910 built its own foundry at Longue Pointe in Montreal. Its sole purpose, at that time, was to produce castings for the railway equipment industry. However, since then, the foundry has diversified to the extent that it has played an important role in the industrial expansion of Canada. Although its output is predominantly for railway equipment and rolling stock, it produces castings for hydro-electric plants, shipbuilding, steel rolling mills, pulp and paper, mining, construction, excavation and other industries.

In 1953-54 we furnished a total of 86 tons of cement mill castings which were used in a mill installed in Pakistan and financed under the Colombo Plan. Presently, we are completing orders of steel castings totaling 3,032 tons, applicable to 120 steam locomotives being supplied by Canadian Locomotive Company Limited to India, also financed under the Colombo Plan.

The Company pioneered the first all-steel freight car in Canada. The design of freight cars developed from the all-wood to the composite type, the latter consisting of steel underframes with wood body; later we developed the steel frame freight car, still using wood for the principal body construction. This



eventually developed into all-steel freight cars and, at the same time, capacities increased from 30-40 tons to 50-70 tons. The box car which we build today is of all-steel construction and it was first turned out in 1929.

Passenger cars followed along similar lines from an all-wood to an all-steel frame job with bodies, sides and roofs of wood. Eventually we pioneered, in Canada, the all-steel passenger car as it is built today. The evolution of this Company's passenger car construction may be summarized as follows:

1910 to 1914

Wood Underframe  
Wood Superstructure and Sheathing  
Wood Roof  
Wood and Wood Veneer Interior

1914 to 1918

Steel Underframe  
Steel Framing - Wood Sheathing  
Wood Roof - Canvas covered (Steel carlines)  
Wood and Wood Veneer Interior

1918 to 1937

Steel Underframe  
Steel Framing - Steel Sheathing  
Wood Roof - Canvas covered (steel carlines)  
Wood and Wood Veneer Interior

1937 to 1942

Steel Underframe  
Steel Framing (Welded and Rivetted) --  
Steel Sheathing  
Steel Roof  
Ice Activated Air Conditioning  
Painted Steel Interior

In 1948

Steel Underframe  
All Welded Side Frame  
Steel Roof - Square Ends  
Ice Activated Air Conditioning  
Plymetal and Masonite Interior, Painted





In 1950

Steel Underframe  
All Welded Side Frame  
Steel Roof - Square Ends  
Plastic Decorative Panel Interior (Formica)  
Ice Activated Air Conditioning

In 1954

Steel Underframe  
All Welded Side Frame  
Steel Roof - Square Ends  
Plastic Decorative Panel Interior  
Mechanical Air Conditioning

The Company has built 154,864 freight cars, the greater part of 2,688 passenger cars, 7,105 industrial cars, and 1,878 street cars, in addition to its maintenance and repair work. If the total number of freight cars constructed by the Company were attached one to the other, they would make a train almost one thousand two hundred miles long; in other words, a train stretching almost from Montreal to Winnipeg.

Today our car plants have been geared to a production capacity of from 28 to 36 all-steel box cars and from 1 to 2 passenger cars per day.

In recent years, this Company has been carrying out an extensive modernization programme. In rebuilding our foundry, modernization was the keynote; today it is one of the most modern and efficiently operated foundries on the Continent. In so far as the car building plants are concerned, we have continuously kept abreast of modern methods and techniques and it is our intention to so continue. To that end several millions of dollars have been earmarked for the completion of our modernization programme. In an industry such as ours continuing modernization and





development of facilities are necessary in order to keep abreast of technological developments. Over the past ten years the Company has made capital expenditures on machine tools and facilities to the amount of \$17,000,000, of which \$11,750,000 has been expended directly for the purpose of improving our railway rolling stock production facilities. These expenditures were entirely financed out of operations. In addition to the foregoing, an adequate programme of plant maintenance has been carried out.

To operate these plants, the Company has trained and maintains a highly developed skilled labour force, as well as technical experts for purposes of research and development of the most modern and efficient methods of production. More particularly, in recent years, it has been important to have technical skill in view of the radical change in the type of railway cars now being produced.

Recently we became a member of the A. V. Roe Canada Limited Group of Companies, making available to us one of the most complete and scientific research laboratories in Canada, providing facilities for development of the most modern and efficient type of railway rolling stock.

The number of employees, which includes many highly skilled men, varies in accordance with the volume of production. At the present time, the Canadian Car & Foundry Company is employing 2,500 men in the production of railway equipment and rolling stock in comparison with a staff of approximately 6,000 a year



and a half ago. During the peak of war production, the Company had 19,652 employees on the payroll.

The unpredictable nature of procurement by the railways, showing violent fluctuations, can be depicted graphically from year to year. Either the demand is large or it is reduced to a trickle. For example, there were 1,863 freight cars produced in Canada in 1946 for the domestic market, as compared with 10,562 in 1951. During the same period, no passenger cars were produced in Canada for the domestic market in 1946, whereas 101 were produced in 1951. This cyclical nature of the industry is one of the problems which has faced the industry for years and for which, to date, no satisfactory solution has been found.

The railways purchasing practice has always been to call for tenders. At such time it is the custom of the railways to submit specifications -- material costs and other factors are a strong consideration with the railways in developing such specifications. Another factor in this competitive industry is that the two major railways have from time to time built cars in their own shops; with this background and experience the railways exercise particularly close purchasing control. Consequently, efficiency in manufacturing is the keynote to competitive success in the industry.

Costs of materials, generally, are higher in Canada than in the United States and these costs are affected by what may be termed "custom design" cars for each railway, although, in the past few years, a move has been made towards standardization.

Most of the materials used in the production





of railway cars are made in Canada. This is particularly so with regard to freight cars, and to the fullest extent possible we buy all materials in Canada.

The influence of volume reflects on overhead costs. The volume of production, naturally, is very much lower in Canada than in the United States; for one car produced in Canada, ten or twelve are produced in the United States.

The cost of heating alone, bearing in mind the type of buildings used, gives the United States' competitors a definite advantage; climatic conditions are an important factor in increasing overhead costs, in addition to adding to the costs of the original buildings.

We must, at all times, retain the services of skilled engineers and highly trained mechanics to meet any demand made upon us. Our supervisory and technical staff must be retained, even when production volume is low. These costs are influenced by volume.

The industry is highly specialized and inelastic. Machinery for the most part is massive. Production units are particularly large and now built to specification. It is not that the facilities are only limited to the capital goods class; they are, in fact, restricted to the sole purpose for which they were built. Any move to put these facilities to other uses inevitably would interfere with the production of railway car equipment as the demand arises.

The present main tariff items covering railway car equipment are as follows: I think that is set out there, gentlemen. Could we take the tariff as read?





THE CHAIRMAN: Certainly.

MR. COSFORD: In connection with item 434A, it should be noted that the 138 cars for the Toronto subway, in the amount of \$12,000,000, were imported "Free" under this item; free entry was a major factor in the Company not receiving this order for production in Canada.

With regard to item 438, the tariff on entry from the United States has been progressively reduced from 30 per cent to  $27\frac{1}{2}$  per cent to the present  $22\frac{1}{2}$  per cent. Under present cost-price-tariff relationships the present rate seems to me just about adequate and by no means excessive. Since 1948 when the  $22\frac{1}{2}$  per cent rate under GATT was established, there have been substantial importations of both freight and passenger cars from the United States, as shown by the Dominion Bureau of Statistics. The tariff structure of our country has evolved over many years and involves cost and price relationships of raw materials as well as the product under consideration. Currently the Tariff Board is giving consideration to the tariff structure for basic steel. The outcome of this inquiry, the possible effect on Canadian steel prices, the then relativity between foreign and Canadian steel prices, etc. are still to be determined. Generally speaking, any marked increase in the price of Canadian raw materials (as compared with the price of materials in foreign countries) warrants a review of the tariff for the manufactured product.

The workmanship and design of cars produced by our Company compare favourably with those produced in any country in the world. This company has always been geared to manufacture railway rolling stock



and equipment to meet the specific requirements of transportation systems throughout the world. For example, since 1936 we have made passenger coaches for the Jamaican Government Railway; refrigerator cars for the Rhodesian Railways; bogie wagons for the South African Railways; tank cars for the Trinidad Government Railway; covered wagons for the Belgian Government Railways; steel open wagons for the Indian Government Railway; box cars for the Jamaican Government Railway; gondola cars for the Nigerian Railways; flat wagons for the Belgian Government Railways; box cars for the Belgian Congo Railway; tank cars for the Indian Government Railways; vans for the South African Railways; cattle wagons for the Rhodesian Railways; open sheep wagons for the Rhodesian Railways; brake vans for the Rhodesian Railways; open high-sided bogie wagons for the South African Railways; high-sided cane cars for the Trinidad Government Railway; covered wagons for the Turkish State Railway; gondola cars for the United States Army; tank cars for the Jamaican Government Railway; bucket cars for the South African Railways; cattle bogie wagons for the South African Railways; passenger cars for the Trinidad Government Railway; fruit bogie wagons for the South African Railways, as well as others; in all a total of 21,748 cars.

Our war potential is an important factor to be taken into consideration, particularly in view of the unsettled condition of world affairs since the Second World War. Can-Car played an important role in the war effort of Canada. The Company's effort may be divided into four main classifications; namely,





rolling stock, aircraft, steel and ammunition. For volume and variety it is doubtful whether the Company's contribution to the war effort was surpassed by any in Canada. The Company's plants were quickly changed over to war production, playing an important part in the battle of Britain. Various types of aircraft were produced and an extensive overhaul and repair programme was undertaken for the Commonwealth Air Training Plan. One plant was devoted entirely to the design and manufacture of air screws and hubs. In addition, the Company maintained a special service for the R.A.F. Transport Command for the repair and conversion of aircraft of many types, including Flying Fortresses, Hudsons, Venturas, Liberators, etc., all requiring a high degree of versatile skill. Apart from the large volume of car wheels cast at the Company's wheel foundry, practically the entire capacities of the steel and grey iron foundries were assigned to war work. For example, over a million heavy calibre shells were forged.

In addition to the foregoing, the Company constructed and operated the vast Government ammunition loading factory at Cherrier. The Management of this establishment was practically a gratuitous effort. Yet the assignment involved the control of probably the greatest single plant investment in Canada -- certainly in the explosive industry. At the peak, the plant had 14,000 workers on the property. In addition to this war effort, the Company was able to continue production of railway rolling stock to meet the vital needs of the railways at that time.

The burden of industrial preparedness for





defence must rest upon the secondary or manufacturing industries, which manufacture all kinds of materials for conversion into end use products. The importance of the Company's contribution to the future war potential of this country will be seen from the foregoing as well as from its steel castings production classified. There are many items which are listed here in the ensuing paragraph. Would you accept those as read, gentlemen?

THE CHAIRMAN: Yes, certainly.

MR. COSFORD: In the national interest, the railway equipment industry should be maintained in a strong and healthy position -- it is most essential to Canada, both in peace and war. To emphasize this, I can do no better than quote from a speech delivered by the Honourable C. D. Howe in the House of Commons on February 8, 1951. At the time of the Korean War, the Honourable C. D. Howe was commenting on the short supply of steel and he said:

"The impact comes rather from the defence supporting projects such as the building of railway cars, locomotives or carriers to move essential material and supplies, while technically not defence orders, these are no less essential at the present time than the production of guns."

In looking to the future, there appears to be an increased interest in freight cars of all-welded design. As a matter of fact, we have recently produced all-welded steel ore cars and all-welded aluminium hopper cars, and are prepared to produce all-welded freight cars



on demand. The trend towards more specialized types of cars is apparent in order to satisfy shippers who are becoming more and more material handling conscious. Cars in this category are: auto transporters, piggy-back flat cars, compartment type box cars, air slide covered hopper cars, and so forth. Friction bearings are being substituted by roller bearings and steel wheels in place of chilled iron wheels, by which railways expect to gain higher utilization of equipment. Improved rideability of trucks and improved underframe arrangement either through the draft gear or cushioning arrangements are on the agenda. This would reduce lading damage. There will, no doubt, be many more developments in the freight car field within the next few years. However, the foregoing are the most important at the present time.

With regard to the future trend in passenger equipment, the development in various parts of the world of lightweight passenger equipment and the building of a few trial trains of various types, has created keen interest in the railway industry. We in our Company are keeping in close touch with these developments in order that we may be in a position to manufacture such equipment as would be suitable for Canadian operating conditions. Our engineers have visited Europe, the British Isles and the United States and have viewed the development of the construction of these various trains and are presently keeping in touch with their trial runs. It is quite possible that this lightweight equipment will be the forerunner of high speed trains, which we are prepared to build. The trend in the future as to the type of





equipment which will be produced by the railway car industry in Canada will be dependent on the requirements of the Canadian railways.

To accomplish these anticipated new developments, we feel confident that we have the necessary research facilities together with efficient and qualified technical staff. However, I would like to point out that in order to preserve and maintain such skill and "know-how" the industry should be assured of a continuing operation at a reasonable level of activity. If long-term order forecasting were possible, it would bring forth a more uniform production and continuity in labour force, which would benefit Canada as a whole.

I would like to thank the Commission for the opportunity you have given me to present my Company's views on the railway car building industry. If there is any further information you wish to have we would be pleased to co-operate.

THE CHAIRMAN: Thank you, Mr. Cosford. On page 3 you were outlining the various things the Canadian Car and Foundry Company does, and you referred to the number of freight cars you have built and the number of passenger cars, and so on. What percentage of passenger cars that are presently, over the last few years, have been purchased by the railways, have been built in Canada?

MR. COSFORD: Over the last few years?

THE CHAIRMAN: Yes. Are you making passenger cars now?

MR. COSFORD: We have none under construction at the present time. I might say, speaking from





memory, we will say since the war, we have constructed possibly 350 to 375 cars in our shop; those are approximate figures -- I think very close. In addition to that we along with other car builders in the country supplied perhaps 150 car frames, that is the steel structure underframes, wheels, axles and so forth, brakes.

THE CHAIRMAN: Well, how do your costs on passenger cars compare with United States costs?

MR. COSFORD: Well, it depends generally on the type of car, usually built to specification. I mentioned a while ago that they are a design car, but I refer --

THE CHAIRMAN: I thought the railways were importing most of their passenger cars because they got them considerably more cheaply than they could get them here. Is that a fact?

MR. COSFORD: I was going to refer to that, Mr. Chairman. Last year we completed construction of 218 first class passenger cars for the Canadian National Railway System, and at the time that the delivery was made the Chairman of the Canadian National Railway System said, in addressing a group on accepting the first car, that the price compared favourably with those built in the United States and they were glad to be able to place this business in Canada on that basis.

THE CHAIRMAN: What do you mean by that?

MR. COSFORD: Pardon?

THE CHAIRMAN: What did he mean by "favourable"? It was low or not low enough or what?

MR. COSFORD: No, it would not be lower, gentlemen, than those made in the United States.



THE CHAIRMAN: You don't know the costs compare, then?

MR. COSFORD: No, I would not know exactly. The actual costs of the American quotations were not made available to us.

THE CHAIRMAN: I see.

MR. COSFORD: I might say the railways finished those cars I mentioned, around 150, maybe more of those in their own shops. I believe that one of the reasons that a number of the passenger cars were purchased in the United States was that they required all these at one time. I think had these cars been built on the basis of possibly one hundred a year or so they could all have been constructed in Canada on a favourable basis.

THE CHAIRMAN: The reason I am interested in it is that it seems to me that a passenger car is more of a custom built product than some other things that we move to -- than an automobile, for instance -- and I was wondering why we were not able, if we were not able, to produce them relatively cheaply in Canada. For instance, Mr. Miller was talking about diesel locomotives where the spread in price, I think he said, was somewhere around 12 or 15 per cent. The reason for the relatively little spread, as I recall, was because he said it was not a mass production product. Now, would not the same thing apply to passenger cars?

MR. COSFORD: It could in a measure, yes. I might say that passenger cars are a bit more custom built than locomotives would be. For instance, there are different types of designs and different materials.





There are cars built in the United States of all steel construction; there are cars built in Europe which you might say, having most aluminum construction. But they have a common factor in that they are all to comply with the AAR specifications in order that they might be interchanged on the railways, which means that certain aspects of these should be stressed and having the same strength as others. Certain characteristics of some cars are supposed to be lower maintenance due to stainless steel, cleaning them, and that sort of thing. On the other hand the initial costs of those items are much higher than other cars. I would say this, that it would be difficult to determine the cost price relationship to the cars we build in Canada for

Canadian railways unless the competing foreign countries were to quote on the same car. Many of them quote on cars of their own design and construction, which don't have the same specifications or the same finish or some of the same equipment, and so it is a different price. It is a custom built field.

THE CHAIRMAN: Who is set up to construct or to build passenger cars in this country besides your own company?

MR. COSFORD: I believe the National Steel Car have built passenger cars at various times.

THE CHAIRMAN: To change the subject, I notice that you referred to your new connections with the A. V. Roe Company, and mentioned that that would make available to you one of the most complete and scientific research laboratories in Canada. Do you believe the research laboratory that was established in the





aeronautical field will be a direct help to your operations?

MR. COSFORD: Well, I would say this, it has been proven that the research laboratory in the aeronautical field has certainly been a great boon to the automotive industry, passenger cars, automobile cars, in developing metals, light weight metals, plastics and other materials, and also in construction, engineering and designing. They have permitted them to cut out weight and add strength. I believe that will particularly apply to passenger cars.

THE CHAIRMAN: I see.

MR. COSFORD: I think the use of new metals is going to materially reduce the weight and at the same time retain the required strength in these cars.

THE CHAIRMAN: Mr. Cosford, on the same page you referred to the cyclical nature of the industry as being one of the problems which you are up against. We heard the same thing in Halifax, so yesterday we took the opportunity of asking Mr. Gordon whether there was any possibility of spreading the purchasing programmes of the railways over a longer term of years, and I think he remarked that some people assumed that the railways were not bright enough to think of that for themselves, and as far as he was concerned he had thought about it, he would be very receptive, I think he said, to the idea but he would expect some concessions in the way of price from the car manufacturers. So we suggested, I think, to him that when today came along we would ask you what you thought of it.

MR. COSFORD: Well, I believe a planned purchasing of railway equipment would be, as we state here, a boon to the railways and to the car builders



as well. I think it is an excellent thing if it could be worked out.

THE CHAIRMAN: Why couldn't it be worked out?

MR. COSFORD: Well, it possibly can be worked out.

THE CHAIRMAN: Where is the -- what is holding it up? I gathered from Mr. Gordon that he seemed to be receptive to the idea. You think it might be a good idea. How do you get together on it?

MR. COSFORD: I would think that if -- I personally have not had a meeting with the railways on this particular matter and I don't know their particular views on the matter other than what you have expressed to me here.

THE CHAIRMAN: I would have thought it was a fairly fundamental thing in your industry to try and get them to purchase on a longer term basis.

MR. COSFORD: We have been endeavouring to do that, I might say, but it has not been possible to date.

MR. GUSHUE: I believe Mr. Gordon said he would be open to a proposition.

THE CHAIRMAN: Maybe we have just opened the door for you.

MR. COSFORD: I think you may rest assured, gentlemen, that we will take advantage of any opening to make such proposals or investigate the thing, as far as we are concerned.

MR. GUSHUE: We are being marriage promoters.

THE CHAIRMAN: Dr. Gushue says we are





getting ourselves into the position of being marriage brokers. I don't know which roles you and Mr. Gordon will fill if there is a marriage. I would be a little careful if I were you.

MR. COSFORD: I am going to make no comment. We all have our ideas on it.

THE CHAIRMAN: If the purchasing programmes were spread out over a period of years do you think that you would be up against the fact that there might be over-capacity in your industry?

MR. COSFORD: Well, there is over-capacity; it would regulate the use of such capacity as we had. There are many -- when I say "many" -- there are some items, one of them which occurs to me, in definitely committing the purchase of a number of one type of cars over a period of years, there must be some provision made for research and development and taking advantage of the progress that is being made from day to day, and whether that would affect that, I cannot say who is going to bear that burden and who is going to be responsible for it.

THE CHAIRMAN: You cannot have it both ways?

MR. COSFORD: No.

THE CHAIRMAN: If you would like a longer term of purchasing programmes --

MR. COSFORD: That is right.

THE CHAIRMAN: That is what I gather you would like?

MR. COSFORD: We would like -- frankly, we would like a longer term programme, I would say, very definitely. Also the railways would like us to do some





development work. Someone has to do it. They are operators and we are manufacturers and designers and we think also that we do a great deal of research work in this matter.

MR. GRAUER: If as you indicated earlier the main reasons for purchases by the Canadian railways in the United States was that they wanted too many units at one time, the spreading out of the orders should not lead to over capacity, should it?

MR. COSFORD: I believe that from my knowledge of the capacity of the railway building equipment in Canada, that the orders that the Canadian railways would have for us over a period of time would not take up the capacity of all our plants.

MR. GRAUER: Even if you got it --

MR. COSFORD: In other words, that it would permit the plants to adjust their capacity to the order book of the country. On the other hand, I do think this, that we should be looking for foreign business and we should be looking for business abroad and export business. We are in business for that, we are not here to be just, you might say, endeavouring to live off the railways. We have to be aggressive. We are abroad now endeavouring to get business, and we have done quite a bit of business abroad.

MR. GRAUER: But if the Canadian car manufacturers got all the Canadian orders there would still be over-capacity, would there?

MR. COSFORD: Yes, I think there would.

THE CHAIRMAN: Mr. Cosford, I have one last



question, I hope you will forgive us. As a patron of the Toronto subway system you mentioned that your company didn't get that order because the subway cars were imported free of duty?

MR. COSFORD: That is right.

THE CHAIRMAN: What was the saving to the T.T.C., do you remember?

MR. COSFORD: They were very substantial.

THE CHAIRMAN: Twenty-five per cent?

MR. COSFORD: No. I don't know exactly, I don't know the price they paid, but from a conversation I had I would say it would be probably ten or fifteen per cent. In other words, they said there was a saving of well over a million dollars, the chairman mentioned, in the purchase of those cars abroad.

THE CHAIRMAN: I see.

MR. COSFORD: And the subway at that time was running a little ahead of their costs which they had planned and anticipated, and they had to take advantage of those savings, which he did, and he bought good cars, too.

MR. GUSHUE: Does the variation in the number of employees which you mentioned, I think you said 2500 now as against 6000 eighteen months ago, as an example, does that pose much of a problem or is the labour market ample to take care of it?

MR. COSFORD: Well, I would say that 6000 employees in our car division was very high, but then they were chosen because we had a big passenger car programme. I might say that we turned those cars out at the rate of





two a day, finished cars, with the build-up that was there, and we needed a very heavy employment. But it does pose a problem.

MR. GRAUER: In your modernization programme, could you give us an idea of what proportion of the machine tools that you produce come from Canada? If you would like to refresh your memory you could ship that information in. It is not information you might have at your fingertips.

MR. COSFORD: I have not got it at my fingertips.

MR. GRAUER: You referred several times to the necessity in your business of skilled labour, I rather gathered that you have no difficulty in obtaining all the skilled labour you require even in your boom periods?

MR. COSFORD: That has been correct so far.

MR. GRAUER: Under war conditions, where your business shot up, I suppose you do run into some difficulties there, do you?

MR. COSFORD: Yes, we did. But under war conditions production gets very high and becomes quite automatic, and we develop machine equipment tools, stampings, things that make it functional and run schools and train people for fixed jobs. They don't come out of there as mechanics, they come out of there as being able to do one operation.

MR. GRAUER: The ordinary corps of skilled mechanics you have is enough and you are able to expand from there?

MR. COSFORD: That is correct. For example, in building all-welded cars we were able to train our group





that had been making riveted cars into welders. Now they can do both.

MR. GRAUER: Is there any significance for the future in this trend towards more specialized equipment that you referred to? Does that help you?

MR. COSFORD: Well, frankly, I have this thought, from views expressed by the railways both here and the United States, that they seem to be doing more research work now to bring about their equipment on a more competitive basis with road transport. I believe myself there will be a widespread use in Canada of rail cars for interurban and short runs and day runs with short trains. Those can be very well built in Canada.

MR. GRAUER: On the export side you said you were actively looking for business. Is that a pretty hopeful field for the longer run?

MR. COSFORD: I would say that we have a chance in the export market. Since the war we have had, I imagine, around \$90 million in the export markets for our company. We do say we get duty drawbacks on the materials we get abroad. We can compete with the Americans because we can use American materials if Canadian materials are high or we can bring in materials from Germany or Belgium, depending on who will win. And then in certain products we manufacture in our own plants we send them out at a greater rate and our production is much higher than the European production on some items, which gives us a lower overhead cost. So in certain instances we have competed with the Europeans in that manner by using imported materials and on such items



we can get quite a run of.

MR. GRAUER: If you had a continuation of good economic conditions throughout the world, would you expect to get more export business in the future than you have since the end of the war?

MR. COSFORD: Definitely.

THE CHAIRMAN: Well, thank you very much indeed, Mr. Cosford. This has been very helpful, and we are most grateful to you. We will take a recess of ten minutes.

--- Recess.

--- Upon resuming.

THE CHAIRMAN: Shall we come to order, gentlemen? The next submission is that of the National Steel Car Corporation of Hamilton, which we will mark Exhibit 118. Mr. Shearwood, you are going to present a summary of it.

MR. SHEARWOOD: Yes, if I may.

THE CHAIRMAN: Fine.

MR. SHEARWOOD: Mr. Chairman and members of the Commission: Our company, the National Steel Car of Hamilton, Ontario, have submitted our brief in which we deal in some detail with our problems, our hopes for the future, and our suggestions. Perhaps it may be worthwhile for me to summarize our brief and emphasize a few of the more important points.

The rolling stock industry includes locomotive builders, freight and passenger car builders, railway repair shops and suppliers of parts, such as wheels, air brakes, etc. The National Steel Car builds about one-third of the freight and passenger cars in





Canada. When we are busy we employ from 1500 to 2500 men in our own shop and our standard production on box cars is thirty-two per day. The quality of the work, in common with other Canadian car builders, is of a high standard and compares favourably with similar equipment in other countries.

### Our Markets

The two big railways have in most years accounted for ninety per cent of our car orders and ninety per cent of these are for freight equipment.

Unless there are special conditions such as in the immediate postwar years, our distance from the seaboard and our high labour rates make it unlikely we can compete with Central Europe, Britain or Japan, for export orders.

### Our Competition

The principal domestic contract car builders are Canadian Car & Foundry, Montreal, and Eastern Car Company, New Glasgow, Nova Scotia, as well as ourselves. These firms have competition at times from the railway shops and U. S. builders on special types of cars. Other forms of competition are the import of second-hand cars from the United States, and the use of foreign-owned cars in international or domestic service.

### Our Problems

#### (1) Production

We have good plants and good men and, in general and certainly on freight equipment, have no difficulty in supplying what the railways demand. Our big problem is to obtain work to keep the plant busy.





(2) Tariffs

While considerable business has been placed in the United States, this is not due to the standard duty rate being too low but rather due to entry under special regulations such as orders in council; second-hand cars imported at depreciated values; the operation of foreign-owned cars in domestic service. We believe the two big railways are fair in their use of foreign-owned cars, but we think some United States owned lines in Canada should have a larger ownership of Canadian built or duty paid cars. Competition from the United States contract car builders on new cars should become of less concern in the future as our costs become closer to those in the United States.

A much greater concern for the future is possible imports from low labour rate countries.

(3) Railway Prosperity

We are so dependent on the railways that unless they are prosperous our industry cannot continue to be healthy.

(4) Feast and Famine in our Industry

In the 1920's and 1930's feasts and famines were taken as a matter of course in our industry. However, from 1937 on for seventeen years our own company was fortunate in never being without a backlog of orders and the historical famines were forgotten. With the total lack of orders in 1954 and early 1955 the proposed five-year purchasing plans were set aside. Perhaps it would be logical and practical in the future if planned purchasing programmes could be carried out in spite of the short term fluctuations in the railways' income.



Quite apart from helping to even out employment and perhaps profits, it would help to make our industry more attractive for drawing to us those key personnel so necessary for the industry in the years to come.

### The Future

Having pointed out some of our existing problems, what do we expect for the future? We do not believe there will be any great change in the future markets so that the average needs will continue at about 8500 cars per year. This can and may be altered by the possibility of quite radical changes in design and the use of quite different materials. Our view is that where interchange of cars with the United States is a must, acceptable major changes will probably come there first and that they will come gradually. In view of the preponderance of equipment in the United States and the interchange requirements, it looks more profitable to us to confine our research and development work to production methods and detail design.

### Diversification

With an excess of carbuilding capacity it is logical that efforts should be made to supplement our orders from the railways. As a result of an active effort on our part during the last eighteen months some work from outside our industry has enabled us to absorb a portion of our overhead. We have come to the conclusion, however, that any really worthwhile diversification will only be possible through the acquisition of another company or in investment in additional capital equipment to create another manufacturing division quite separate from cars. There is no easy solution





to this problem but we expect to accomplish our objective. Recently we have had success in adding new products in our own industry but this does not help when there is a drastic reduction in the purchases of cars or car parts.

Recommendations

(1) There should be study given by government authority to determine whether the existing regulations regarding importation of second-hand cars and use of foreign cars in Canada are in the best interest of all concerned.

(2) Study should be given by government authority to protect the industry against importation from low labour rate countries.

(3) Changes in the tariff, for example, by order in council, should not be made without consultation of interested parties.

(4) Our diversification studies have led us to think that tariffs on certain automotive parts now imported free would possibly create markets here. For example, no one in Canada is likely to enter the multi-million dollar a year chassis frame market when there is no duty at all.

(5) Tariff regulations in associated industries such as the steel industry should be such that they can be prosperous enough to broaden their range of products, so that we can have Canadian sources of supply for all materials in common demand.

Also, of course, we hope the railways will be allowed to operate so that they may be reasonably prosperous, as if they are depressed we will probably have no work.





In addition to the brief which we have summarized, we have submitted to Dr. Petrie answers to a very complete questionnaire on our industry.

This completes the summary of our brief submitted to you but both Mr. Lang, our President, who is here, and myself would appreciate it very much if you would discuss with us or question us on our various problems and suggestions. May I also, on behalf of our company, thank you very much for making it possible for us to appear before you. Thank you.

THE CHAIRMAN: Thank you, Mr. Shearwood. I would like to ask you a question first of all about one of the last things you referred to, the possibility of making automobile chassis frames in Canada. We will be hearing from the automobile manufacturers during the next two weeks in Toronto. Has your company studied the possibilities of making frames in this country?

MR. SHEARWOOD: Not only have we studied it, but going back, it is quite a long while ago, to about twenty years ago, we were in the chassis frame market.

THE CHAIRMAN: I know.

MR. SHEARWOOD: And why we were not able to continue was that at that time not only were we competing with mass production in the United States but we had to pay duty on the steel coming in; in other words, the finished frames came in, but we were at a disadvantage with the American market so we were forced to discontinue. Since then we have studied it and there is a big market, we estimate the market at about \$25 million a year now, but the capital investment involved to do the job



properly is about \$4 $\frac{1}{2}$  million, so that is a big risk. And there would be die changes of about \$2 million every three years. Now, nobody is going to take that risk. You might look at the market now and say. "Well, we could get in and take a percentage of that market," but the big American production firms could quite easily just lower the price of the extra production for Canada. So that unless there is some protection it is not worth the risk. But it is something that I really feel convinced should be done in Canada.

THE CHAIRMAN: You feel that your company could and would undertake it, if conditions were appropriate?

MR. SHEARWOOD: If there was a reasonable risk, yes.

THE CHAIRMAN: Is anybody else interested in going into that business in this country? You don't know?

MR. SHEARWOOD: I don't know.

THE CHAIRMAN: Going back to the question we were asking Mr. Cosford about the advantages or disadvantages of a longer term purchasing programme for the railways, would you like to say what you think on the subject?

MR. SHEARWOOD: Yes, we have discussed this problem with the railways at different times, I guess, for as long as twenty years, and it was always conversation up until, I would say, three or four years ago and at that time those railways put a lot of study on the matter, so that they finally came to the conclusion that there were certain minimum requirements





that they could buy each year, and we thought that planned programmes would then be carried out. In other words, we would not have a standard programme each year but we would have a minimum in the poor years and a maximum in the better years. Thus when we came to 1954, just as Mr. Gordon mentioned yesterday, he said, "Well, what do we get out of it?" By which he meant price.

THE CHAIRMAN: Yes.

MR. SHEARWOOD: Which in a depressed year, where you are going down to twenty or twenty-five per cent, it is very hard to reduce your price. There are other things that we think the customer does get out of it. For instance, right now if -- of course it is hindsight which is easier than foresight --

THE CHAIRMAN: That is what we think.

MR. SHEARWOOD: But if they had purchased, say, a year ago, supplies would be available now, and they would have got them at a much lower price. I must say, of course, we will confer with our customers very quickly after, I think, an invitation.

THE CHAIRMAN: I think you are entitled to interpret the remarks yesterday as an invitation. If Mr. Donald Gordon does not think so he will let you know. But I think that is what he meant. If you were on any kind of a planned programme basis, what would be the over capacity in your industry?

MR. SHEARWOOD: Well, we think the capacity, the industry is over-expanded by a large per cent. That is --

THE CHAIRMAN: Twice as much capacity?





MR. SHEARWOOD: Sure.

THE CHAIRMAN: As is needed?

MR. SHEARWOOD: That is what I said. For instance --

THE CHAIRMAN: And surely that must be, not only very wasteful as far as the present capital invested is concerned, but must add considerably to the cost of production?

MR. SHEARWOOD: That is true.

MR. GUSHUE: What percentage of the cars are built in the United States, the cars as an average?

MR. SHEARWOOD: On freight equipment, with the exception of special cases of new freight equipment, all new freight equipment is built in Canada, with minor exceptions, that is new cars.

On passenger equipment, I think from 1933 to about two or three years ago, all passenger equipment I think, again, was built in Canada. That totalled some -- oh, I think about a thousand cars. Then the situation about three or four years ago, as far as our own company was concerned, was that we had quite a backlog of freight equipment, a year or eighteen months. In addition to that the Canadian National did give us the largest single order on baggage cars we had ever had; I think it was 125 cars, which was a very big order. Then on top of that the coach and sleeping car programmes came out. Now, what we hoped to do on that would be or is to supply the frames possibly for an American builder to finish or for the railway shops to finish, but we were not successful in that. So that the Canadian



National did bring in from the States, I think, some 165 cars, about those figures.

Now, the C.P.R. situation was different. Again we were booked in our freight shop and we had all these baggage cars and they decided to go to Budd equipment. Now, we looked into the situation -- which is quite a different construction from what we have normally built, the so-called Pullman type car -- so that if we had gone into constructing the C. P. R. equipment, in addition to the over-expansion that we have now, we would have probably had to spend another \$4 $\frac{1}{2}$  million in capital equipment to produce this Budd equipment, which we -- again it is easy to second guess -- we might or might not, but the judgment at the time was that it was not a good risk just for, you might say, a one shot order for two or three years. Does that answer the question?

MR. GUSHUE: Yes.

THE CHAIRMAN: On the finishing operations of the passenger cars, can that be done here?

MR. SHEARWOOD: Yes, Canadian Car & Foundry do it and the railway shops. We have not done it ourselves to any extent in recent years, but we are quite prepared to do it.

THE CHAIRMAN: If you had a long term programme?

MR. SHEARWOOD: Yes, we are interested.

THE CHAIRMAN: On freight cars, do you know how your costs compare with the United States?

MR. SHEARWOOD: Well, they are getting much closer. It is hard to say exactly but right now, oh,





say, on a box car, which represents sixty per cent of the market, we are within six or seven per cent of the American price.

THE CHAIRMAN: You are within six or seven per cent?

MR. SHEARWOOD: I think on a box car now. And other cars, where the quantities are much smaller here, like in coal cars and hopper cars, it would be probably considerably higher but I would not think except in special cases more than about fifteen. But the tendency is to get much closer to the States all the time.

MR. GUSHUE: You mention here, or rather you recommend to open up a branch of the business such as the chassis frame market, that protection would be necessary, that the industry here would not go into it without protection?

MR. SHEARWOOD: That is right.

MR. GUSHUE: Have you any idea what the size of that protection would have to be, the tariff, to enable the Canadian industry to get into that business?

THE CHAIRMAN: One way of doing it would be to increase the Canadian content provisions on the automobile tariff, a way which I am sure the automobile manufacturers would not be too happy about. But that is one way it could be done.

MR. GUSHUE: I was wondering as to what degree the protection would have to be.

MR. SHEARWOOD: No, I am afraid the answer is no. We could take a specific case and work it out, but --



MR. GUSHUE: Just one other question, and it is more for my own information than anything else. You refer to the use of foreign cars in Canada. Are you referring there to freight cars coming in from American railroads and staying and being used? I am just curious to know what you mean there.

MR. SHEARWOOD: Well, that, yes, that particularly regulation is provided whereby United States owned cars can be brought into Canada, which is quite logical, and --

MR. GUSHUE: And that operates in the other direction, too?

MR. SHEARWOOD: And balanced by vice versa. But now, for instance, there are a number of American owned lines in Canada, like there used to be the Pere Marquette and Michigan Central and various other American lines, and to our knowledge I don't think they have bought a car in Canada for over thirty years. We think that they should have some Canadian ownership of cars. I think that is fair.

In 1924, I think, there was some discussion about that and they did buy some, but since then the traffic of the country has expanded tremendously. The two big roads naturally must have a pretty free hand because they may have to import many hundreds of cars under peak load conditions. We would not quarrel with that.

THE CHAIRMAN: The railway from Sept Iles to Knob Lake, I suppose, bought Canadian cars; did they?

MR. SHEARWOOD: You mean the iron ore?





THE CHAIRMAN: Yes.

MR. SHEARWOOD: No, there were a number of second-hand cars.

THE CHAIRMAN: I see.

MR. SHEARWOOD: A number of Canadian ones and a number of second-hand ones.

MR. GRAUER: The diversification you referred to, Mr. Shearwood, apparently it is partly for the purpose of using the facilities in your present shops that are not used?

MR. SHEARWOOD: That is correct.

MR. GRAUER: But you contemplate, I gather, a different type of manufacture entirely, diversifying by spreading the range of your products, in other words?

MR. SHEARWOOD: That is right.

MR. GRAUER: That would be with the purpose of offsetting the ups and downs of the railway car business, I gather?

MR. SHEARWOOD: Yes, really evening out the financial figures for our shareholders, absorbing our fixed overhead.

MR. GRAUER: That is a trend that has gone quite a distance in the United States, as you know. Does that look helpful, that idea of diversification?

MR. SHEARWOOD: Diversification within our own shops, I would say, can only be very limited, that is, using the same machines that we have in our car shop, and, to a certain extent making use of our own labour; it is difficult. Therefore, diversification must be outside our own industry. One of the most successful firms in



the United States who have done that in the carbuilding industry is Plymouth, another originally much like ourselves, all cars, and about ten years ago they bought the Kellogg Company, who no doubt you know are a big construction firm and chemical, research and so on, and then afterwards Kelly Metal, and now they have forty per cent in cars, forty per cent in the Kellogg Company and twenty per cent in Kelly's. And the American Car and Foundry have done much the same thing. But the diversification has not been within their own shop and they go through the same feasts and famines, in fact worse in the States than we do up here.

MR. GRAUER: Well, the diversification, the financial diversification, to use that phrase as distinct from the shop diversification, if successful I suppose it would affect some of the other recommendations that you are making here. It is always hard, for instance, this business of protection of industry against importations from low labour rate countries; that is one factor, of course. The overall factor is productivity, as you know. And it is pretty hard to estimate some of those things, but basically, I suppose, if alert management can solve some of these problems by diversification which will meet the financial situation, you are not so much worried about protection on some scores which are pretty hard to work out in any case?

MR. SHEARWOOD: Yes. For instance, I think you mentioned the importation from low labour rate countries. Now, a lot of people don't take that too seriously. They think that we are perhaps a long way ahead of Europe. I was over there about a year ago and





looked at car plants and I was amazed to find one plant in North Britain -- we think we have a big order when we have an order for a thousand box cars -- there was one firm there had orders for fifty thousand cars, and since then they have got another twenty thousand on top of that. And they are going to be pretty fully occupied with the rehabilitation of British railways for some time, but once that is done they are going to be very keen on export. And those are brand new plants. And there are others, for instance, one big -- not big, but moderate size American firm, they got a little disgruntled with the high labour rates in the States, so they took the capital and went to Belgium and started up there, and now they are doing very well in the export. They took all the management and capital over there and are doing very well in the export market. So to dismiss the Europeans and say they can't, I would not do that. I think it is going to be a serious problem.

MR. GRAUER: I didn't exactly dismiss them. I said that the test is productivity, not low wage rates.

MR. SHEARWOOD: Yes. Well, they have productivity over there, too, I think.

MR. GRAUER: What is your feeling about the export market? Are you at all confident about the Canadian companies getting a share of them in this field?

MR. SHEARWOOD: No. As far as our own company is concerned -- mark you, we are four hundred miles from the seaboard, which makes quite a big difference -- but we have had quite substantial export orders since the war, but they have all been either some special condition like government assisted or lend-lease



or something like that. In the straight export field unless low labour rate countries are booked to capacity I would be surprised if we would get any except in hard currency countries, like Central America, and so forth.

MR. GRAUER: You look upon it as a special condition situation?

MR. SHEARWOOD: That is right.

MR. GRAUER: You would be in and out?

MR. SHEARWOOD: That is right.

THE CHAIRMAN: Thank you very much indeed, Mr. Shearwood.

Mr. C. H. McAvoy is here, the vice-president of Dominion Steel and Coal Corporation. Would you like to say a word or two about Eastern Car and say whether you would completely disagree with Mr. Shearwood and Mr. Cosford?

MR. McAVOY: Well, Mr. Chairman and members of the Commission, as our president, Mr. Forsyth, appeared before you at Halifax on behalf of Dosco as a whole and as we knew that the other two major car builders were going to present the case formally today for the railway car building industry, we did not prepare a written brief on behalf of Eastern Car Company, but we welcome an opportunity to make a brief verbal statement.

Now, in general we agree with what the other two builders have said about the condition of the industry and the steps that should be taken to ensure its stability and growth. We would not be necessarily as lyrical as some in praise of our own worth and excellence and superiority because we are essentially humble people,





but we take second place to none when it comes to the quality of our products and the place we occupy in the freight car building industry in Canada.

Speaking more seriously and specifically, we submit and we believe that present tariffs, for example, will afford adequate protection for the railway car building industry under the ordinary circumstances, particularly in so far as new cars are concerned. That is providing that low wage countries don't become more active in this market than they have been hitherto. If they do, then we might have to reappraise the situation, because particularly, as you well know, in the case of England itself their wages are approximately one-third of ours at most. They are still less in Germany, and when it comes to Japan there is no comparison at all. So if we run into that competition we might have to do something.

But we definitely agree with National Steel Car that something should be done about the importation of second-hand equipment at low prices, and we certainly think that there should be no further reduction in the duty on the rental of foreign cars because you might easily reach a point, if that went too far, where there would be little incentive to build new equipment in Canada.

We emphatically agree, Mr. Chairman, as we were among the first, if not the first, to advocate that there should be an end if possible to the feast and famine buying on the part of the railways. When we say that we are not unmindful of the difficulties that confront the railways, nor are we lacking in appreciation of their problems, but we hope that some solution, hope earnestly,



that some solution can be found, because it will be definitely in their interests, in their very best interests, and it will be in the interest of the car industry. It will be in the interest of our employees, and it will be in the interest of suppliers and of the communities that we serve.

As things are now you may have terrifically heavy building programmes in one year and in another year have little or nothing. Indeed, these heavy building programmes not infrequently, and I was going to say almost invariably, correspond with periods of high business activity otherwise, when things are at their peak, when materials are in short supply, when prices are high, with the inevitable result that costs and prices must be higher than they would be if this equipment could be purchased at some other time.

If a planned programme could be worked out over a period of years, then we could all make our plans in advance and we could arrange to purchase materials, the materials we have to purchase, when they can be purchased to better advantage.

THE CHAIRMAN: Under those conditions and with one hundred per cent over-capacity in the industry, who would be likely to get the orders?

MR. McAVOY: Well, I would imagine they would be divided more or less equitably by the railways among the three companies or the four, if you --

THE CHAIRMAN: Supposing they were given to the fellow who would sell at the lowest price.

MR. McAVOY: Well, the practice has been on the part of the railways, Mr. Chairman, that no matter who is low the other fellows, if they want business, have





to meet that price.

THE CHAIRMAN: So it is divided up?

MR. McAVOY: Yes, they usually divide it up. Now, the railways have mentioned to me at different times, they said, "Well, why don't you come along with something specific?" Well, in the absence of knowing what planned programme they might propose it is hard to say specifically what saving there would be, but if the railways will look at their own records within the last year they will see the saving they made on cars that they bought eight months ago when the industry was idle, as compared with the cars they are buying now when materials have gone up in the interim, when there are shortages of supplies, and we are going to have inevitable delays that will lead to further higher costs.

So I say that there is no question at all there will be substantial economies from the point of view of the railways as well as from the point of view of others, if there can be worked out an equitable planned programme.

Now, we don't think this should be worked out to the disadvantage of the railways, but they know when they require equipment, they know what the rate of obsolescence is, they know if they put it off one year they are going to need it the next and so on, and there are only two of them essentially, and it would seem that something should be able to be worked <sup>out</sup> that would be to the advantage of all concerned.

I think that would be the single biggest boon that the car building industry could get. We are essentially limited to domestic business and to the two



big railways because it is very difficult and almost impossible to get export business at anything that will let us live. We are located at the Atlantic seaboard but when we come to export cars the ocean freights today on bulky material of that kind in many cases are higher than rail freights. We have had that experience in trying to ship some cars to Mexico. I mean we were figuring on it and tried to get rates on boats and if anything they were as high or higher than the all-rail rates would have been to Mexico.

When it comes to abroad in other countries, true to say the European countries may have to pay the same freights as we or essentially the same, but they have much lower costs and we have bid on all kinds of export business within the last two or three years and invariably our prices were very much higher than the Continental or European.

So that as I say, Mr. Chairman, I think if something along that line could be worked out it would be the single biggest thing that we could do for the industry, because as the others have pointed out, it is difficult to diversify in the car industry, it is essentially single purpose equipment and if you diversified, if you used it for other purposes, it would not be available then at the peak periods when the railways require all these cars. Then you would have to go out and you can get into other industry and that sort of thing, but it is not the solution. So we think that essentially the welfare of the car building industry for some years to come is going to be dependent on the domestic roads and anything that





will promote their prosperity will be for the good of this industry and the communities in which we are located.

We appreciate this opportunity, Mr. Chairman, to make a brief submission. I wish to thank you, and if there is any further information you would like from us we would be glad to supply it if we can do so.

THE CHAIRMAN: Thank you very much, Mr. McAvoy. The next submission is that of Canadair, Mr. Notman. We will mark your brief, Exhibit 119, Mr. Notman.

MR. NOTMAN: Mr. Chairman and members of the Royal Commission: I understand that you all have before you our statement in relation to the aircraft industry. Do I understand it has been read by all, and how much would you like me to cover?

THE CHAIRMAN: I think we have read it. You might just go through it.

MR. NOTMAN: I can highlight it for you quickly, if you like, or I can go into as much detail as you like.

THE CHAIRMAN: We have got lots of time. You might summarize some of the historical sections.

MR. NOTMAN: Well, I think I would. Actually, Mr. Chairman, then, from page one through to page six I have given an outline of the history of the aircraft industry in Canada, particularly in its early days, largely by reason of the fact that I didn't think this information was too readily available to the Commission. It shows that the aircraft industry was started as a result of government activity and that the industry largely as it grew prior to 1939 was a definite result



of government orders, little or no domestic roots or civilian, not very much to do with the actual growth of the industry itself.

By 1939 the industry itself had developed to a point where there was a considerable amount of aircraft activity but not to any extent in comparison with what developed in later years. The impetus that was given the aircraft industry during the war resulted in very greatly increased facilities and the employment of a great number of people with the result that by the end of the war we had in Canada a very substantial industry.

Turning then to page 7, I outline the growth of the role of government generally, in our economic life, which has been an indisputable feature of the post-war era in every western country.

Our wartime experience and experience in later years has indicated the desirability of developing as completely an integrated industry as possible, and we have recollections of struggling for position on priority schedules for engines and aircraft components to enable the industry to produce in accordance with its capability. As a consequence, emphasis in recent years in Canada has been placed on engine production, hydraulic, electronic and other components, not without some considerable measure of success.

The Government has been chiefly responsible for creating markets for the industry in the past. For example, since the end of the war 84 per cent of Canadair's sales have been made to the Canadian Government and it is highly unlikely that commercial sales of





aircraft in the next ten to fifteen years could in any way approach this figure.

I make mention of the stability of the industry, that one of the major problems of the industry in the past, both in Canada and the United States, has been instability due to successive expansions and contractions which are costly to the defence effort and wasteful to the economy. This is true of not only the total activity but also to a greater extent of the component groups making up the total. Thus, within any one of the three principal groups (Engineering, Tooling and Production) making up the total manpower effort in a company it is not uncommon to have as much as 500 per cent variation in employment levels between successive programmes. This can occur while maintaining a relatively constant total employment level. For this reason the rather drastic displacement of personnel is not always apparent to outside observers.

In a complex industry such as aircraft, the building of an industrial organization involves the development of skilled and scientific manpower, the acquisition of expensive mechanical and electronic equipment and the development of managerial skills. Such an organization is put together only at great cost and effort. It is then exceedingly wasteful to break down the organization when orders fall off sharply, only to be compelled to build up again when orders increase. The burden of such changes is a significant drain on our defence efforts.

Much has been written of the flight of our



engineers and scientists to the United States due to the possibility of more gainful employment and greater opportunity. The aircraft industry is becoming increasingly dependent on such engineering and scientific personnel and unless we can offer them opportunities for research in some long range development programme, they will not be available to us either for our current activity or in the event of a crisis.

And turning to page 12, I make mention of the fact that stability is important. I say that a policy of stability in the industry would thus be of importance to the economy as a whole and particularly to surrounding communities who are significantly affected by fluctuating employment.

It has often been maintained that the future economic development of Canada is closely bound up with a growing population. A stable aircraft industry provides a wide range of attractive positions. For example, during the past five years, which has been a period of relative stability in the industry, we have provided employment for many new Canadians. At the present time we have over 500 people in our employ with aircraft experience from thirty-five different countries. It might also be of interest to know that of our total employment 69.8 per cent were born in Canada and 30.2 per cent were born in other countries. Of the 30.2 per cent, 10.6 per cent come from England and Scotland, and 1.2 per cent from the United States. The other countries, Poland, France, Hungary, Germany, Italy, etc., provided anywhere from 3 down to fractions of a percentage.





As far as comparative costs are concerned, we are satisfied within the industry that given like quantities and a comparable product, we can compare favourably with anyone in the world in manufacturing cost.

THE CHAIRMAN: You have got a couple of important qualifications there.

MR. NOTMAN: I have.

THE CHAIRMAN: That is the guts of it?

MR. NOTMAN: That is the guts of it, but I mean we have proved that we can. Our cost experience has been such that we can compete with anyone.

I have covered a few general principles which I think are important for the long term growth of the industry, but I say for sometime it has been Canadian government policy that all equipment for the Canadian Air Force is to be manufactured within North America to ensure continuity of supply of new equipment and maintenance parts during any emergency. It is also a stated policy of the Canadian Government to standardize as far as possible on military equipment used by Canada and the United States.

I thought it was important to quote from a report to The Industrial Defence Board made by the Aircraft Committee of the Canadian Ordnance Association, back in September 1948. At that time the aircraft industry was in the doldrums more or less, and they made recommendations to the Industrial Defence Board which was then in being as to what they thought would be in the best interests of the industry and national preparedness of the country. Just to briefly cover the points that were brought up in this Industrial Defence Board submission:



"All equipment for a Canadian Air Force in being must be manufactured within North America. To the fullest extent practicable, all such equipment should be manufactured in Canada. This is most desirable in order to maintain control of production in Canada to the greatest extent possible, to avoid foreign exchange problems which would otherwise arise, and to reduce the cost to the Canadian taxpayer by ensuring that defence expenditures themselves are, to the fullest extent, made a part of the national income upon which taxes are levied.

"Those items of required equipment which, because of the small volume involved would be prohibitively expensive to manufacture in Canada, could be bought in the United States. We can afford to do so however, provided that the United States will, in turn, import an approximately equivalent value of aircraft equipment from us. It is believed that such practice, which may be referred to as 'complementary production', could be readily worked out with the United States once Canada has determined the amount of money which it is prepared to spend on military equipment.

It is stated: The greatest possible





degree of standardization of military aircraft used by Canada and the United States is most desirable.

"It is in the national interest to encourage Canadian design and development of aircraft and equipment to the greatest possible degree in order to foster the higher engineering qualities which such work demands and so add to our national capacity."

On page 16:

"Aircraft of foreign design to be put into production in Canada must be of latest types which have completed their service tests. It is believed that if Canada is prepared to participate in such a program, the United States will alter its policies accordingly."

As a result of the F-86 it is quite clear that they are prepared to do that. That was a recommendation made in 1948 I am pointing out.

It is interesting to note that the so-called practice of "complementary production" has been in force for a number of years. While perhaps not to the degree that we in Canada would like to see, a start has been made and in the long run it cannot help but be beneficial to both Canada and the United States. Canada, of course, has been purchasing from the United States specialized items of equipment and in turn has shipped to the United States such items as F-86's for Korea,



spare parts for C-47's, spare parts for F-86's purchased by the United States for NATO countries, twin 3" naval guns and gun mounts for the U.S. Navy, and Beavers and Otters for the U.S.A.F. In addition, an order was placed with Canadair for over \$100 million for the design, development and production of a twin engine trainer, which however was later cancelled when it was decided that the requirement for the trainer no longer existed in the United States. Our own Company records show that in the past six years we have spent approximately \$11 million more in U. S. funds than we have received from sales to the United States. Purchases in U.S.A. amounted to \$80 million; and the sales to U.S.A. from our own company amounted to \$69 million. This is probably a far more favourable balance, proportionately, than for the Canadian aircraft industry as a whole, but shows what can be accomplished largely as a result of standardization on types with the United States.

It is also of interest to note that all points set forth in the above recommendation to the Industrial Defence Board were to a large degree implemented in carrying out the procurement programme of the Air Force when it was decided in the late forties that Canada was to have a greatly expanded Air Force of her own in peacetime. I mention that the three principal aircraft companies, A. V. Roe, de Havilland and Canadair all had a proven wartime and peacetime record of economic achievement in the production of military planes such as the Lancaster, the Mosquito and the PB4. The North Star Military transport and the





Beaver were produced in peacetime by Canadair and de Havilland respectively. A. V. Roe had taken over Turbo Research, an organization which had developed considerable knowledge and skill during the war years in the development and design of gas turbines, and, as well, had been developing and designing a four jet transport which subsequently proved to be the first four jet transport to fly. A. V. Roe was awarded the contract to develop, design and produce in conjunction with the R.C.A.F. a special long range all weather twin jet interceptor, the CF-100, and the Orenda engines for it. The F-86 was chosen by the R.C.A.F. as the day fighter with the best chance of success and Canadair was awarded the contract to produce the aircraft in Canada under licence from the North American Aviation Company. de Havilland was awarded contracts for a military support aircraft of its own design, the Beaver, and subsequently for the Otter.

When we were faced with the Korean crisis and Canada became an active partner in NATO, requirements for the aircraft then in production, as mentioned above, multiplied and additional requirements for two other types of U. S. aircraft, the T-33 and Harvard, developed to support the NATO training plan. Both these aircraft were also produced in Canada. In addition to the increased requirements for aircraft, schedules were greatly accelerated. This resulted in greater difficulties in obtaining engines and components and by reason of the increased quantities it became more and more apparent that many items previously imported could be economically produced in Canada. Industry, generally, was encouraged



to investigate the possibility of producing aircraft components in Canada, with the result that many companies have benefited by production of parts not made before in Canada. In that respect when we started out on the F-86 programme we, of course, naturally went to the sources of supply for our detailed components in the United States as we saw orders amounting to \$100,000 or more that looked as though it might be an interesting thing that a Canadian company could undertake, we put those Canadian companies in touch with the suppliers in the United States and they in turn worked out agreements with them to manufacture the parts in Canada. A considerable amount of manufacturing resulted and in many cases costs have been equalled and considerably less than we had previously been paying in the United States.

It would seem to be the generally accepted feeling amongst the freedom loving people that if there is to be peace in the world it will be accomplished through strength. This implies a continuing defence effort on some scale by the free countries of the world. It would seem reasonable to expect that at least the present scale will be maintained and possibly increased. The activity in the aircraft industry in the early fifties reflected the rapid build-up of the Royal Canadian Air Force to 41 active squadrons, and the production of aircraft provided to NATO, the Royal Air Force and the United States Air Force in Korea. The first phase of re-equipping the R.C.A.F. had reached its final stages before the end of 1954, and the 1955 production figure estimated to be in the neighbourhood of \$300 million indicates a levelling off to an attrition and maintenance







basis. It must be remembered that for an air force to be kept on an active basis its equipment must be kept in use and properly maintained. Attrition occurs and if the air force is to be kept at the prescribed strength replacement aircraft will have to be provided.

The complexity of modern aircraft, and the advances that are being made from day to day in the research and development centres of the world, make it imperative to plan ahead for replacement programmes to insure against obsolescence. With an air force fully equipped and operational, one way to insure against obsolescence would be to plan for the replacement of equipment on an attrition basis with the most up-to-date aircraft then in being. If, during the replacement process, a more advanced aircraft comes available it should be put into production even though the full replacement programme had not been completed. This would insure that at all times the air force would have at least a partial complement of the most up-to-date aircraft and the industry would be producing the latest type of aircraft, deliveries of which could be accelerated in time of emergency.

In the early stages of the production of a modern fighter, export restrictions are put on it as a security measure. After it has been in operational use for some time and its successor is in production, it may then become available for export. As evidence of this we mention the F-86 and our recent sale to South Africa and sales negotiations in other countries of the world. Export sales of this type are of definite economic benefit to the country in the work that is



provided for airframe and component manufacturers and it is work that is not financed with Canadian Government funds.

As in the case of the original users of the equipment, if the air forces in other countries are to be maintained, additional orders on an attrition basis at least can be expected. Deliveries of course can only be made as long as a particular model is in production. Other countries will also be interested in keeping their air forces equipped with the latest type of equipment that can be made available to them. A planned replacement policy for the R. C. A. F. using the latest type of equipment available at the time might well result in Canada becoming a regular supplier of aircraft on an export basis to other friendly countries. It is conceivable that such a policy on the part of the Canadian Government might well result in economic benefits far in excess of the cost of tooling for up-to-the-minute models.

The many advantages of standardization of military equipment with the United States is recognized and where a type exists which fills the requirements of the Royal Canadian Air Force it is made available to Canada under license arrangements, at a small fraction of cost of engineering development and research. On the other hand, to perform satisfactorily under a license agreement requires a high degree of technical ability and we strongly believe that it is in the National interest to encourage Canadian design and development of aircraft and equipment to the greatest possible degree, particularly where the needs of the air force





cannot be met from existing development and research in other countries. This policy has been followed by the Canadian Government in the design and development in this country of the CF-100, the Beaver, the Otter, the Maritime Reconnaissance version of the Britannia, the further development of the F-86 to take advantage of the Orenda engine, the Orenda engine and now the CF-105 supersonic all-weather day and night fighter.

I have traced under civil aircraft that the history has shown that there is a definite relationship between military and civil aviation in that progress in civil aviation has always had its beginning in military achievement. Practically every commercial transport in service today stems from a military aircraft for the basic reason that seldom can the cost of research, development, tooling and, what is of prime importance, the hours consumed in gaining proficiency on the first run of any aircraft, be justified commercially. Selig Altschul, a noted airline economist in New York, a few years ago completed a study of the world airlines and showed conclusively that without exception every aircraft operating on commercial airlines had at some time been subsidized in one form or another.

Having successfully produced commercial airliners for Canada and the United Kingdom, as a follow-on to the North Star transport production for the R.C.A.F., we have been ever mindful of the commercial market potential and have been making continuing studies in the hope that we will again be able to re-enter the market.

An interesting study I believe is that of



the local service operators' requirements, and at the request of the local service operators in the United States we completed a preliminary design and market analysis for a 32-passenger modern aircraft as a DC-3 successor. The suggested price of \$450,000 was set in relation to the then-going prices for existing 64-passenger and 44-passenger aircraft and was considered the maximum price that could be established. Estimates of the cost of the design, development, prototyping and certifying of the aircraft indicated that the total costs up to completion of the first aircraft would be \$12 million. Estimates of the production cost indicated a cost of \$40 million for the first forty aircraft and \$67 million for the first one hundred aircraft. At the forty mark costs would have exceeded revenue by \$22 million and at the one hundred mark the discrepancy would still be the same even though the cost per aircraft had been reduced from \$1 million each to \$670,000 each. The estimates concluded that 300 aircraft would have to be built to recover all costs which would have meant an expenditure of \$135 million merely to trade dollars. An extensive world market survey did not prove conclusively that a market existed for the number of aircraft necessary to make it a commercially feasible venture.

The aircraft has considerable potential as a military transport for use in Canada but approaches to the Government failed to create interest. It is felt that had there been sufficient military interest the project might well have been undertaken at very





little cost to Canada as a whole because of the beneficial result of sales which would have developed in the export market. In the meantime a similar aircraft has been supported by a Foreign Government and this aircraft is now being offered to the airlines in flying demonstrations and the aircraft is engendering considerable interest.

At this time we can be hopeful of again being in the position to enter the commercial field with a long range transport aircraft as a result of possible military requirements for different versions of the Britannia.

THE CHAIRMAN: Who is producing the aircraft that you mention?

MR. NOTMAN: Fokker. The Dutch Government started the Fokker Company on a very similar design at the time that we were working on it. We came out with our brochure and the Fokker brochure which came out slightly afterwards was practically the same aeroplane, as we were taking the same engine and designing an aeroplane around it, you would practically all come up with the same looking beast.

Under the heading of Nuclear Products: We are firmly convinced of the long term potential of nuclear power and the part that it is likely to play in our every day walk of life, we have established a Nuclear Products Division staffed by a group of experienced scientists and technicians, and it is company policy to keep fully abreast of scientific and technological developments and to devote the efforts of the company to furthering the peaceful uses of atomic energy.

My statement about Missiles here is rather



brief. The necessity of maintaining first line defensive aircraft has been recognized by the Canadian Government in establishing an air force equipped with the most modern fighting equipment. The trend toward higher speeds and higher altitudes, if the policy of maintaining modern fighting equipment is adhered to, is likely to demand a much broader use of missiles. For reasons of security it would not be in the national interest to discuss this matter further. It is sufficient to say that a guided missile is in effect an unmanned aircraft for which the design, development and production competence exists within the aircraft industry and any requirements for this type of equipment could readily be supplied from Canadian sources.

Under Diversification: The problem of how to make use of aircraft manufacturing facilities in the event of the curtailment of aircraft manufacturing is a subject that has been discussed by all aircraft company executives at one time or another. Attempts have been made by various companies to produce different articles but for all intents and purposes ventures into other lines have proved unsuccessful. It is the general consensus that there is no line of equipment which on a temporary basis can ever utilize aircraft manufacturing facilities to advantage.

In judging the future growth of the industry, probable developments in the aircraft industry over the next five, ten, fifteen and twenty-five years will be to a very large extent dependent on military requirements. Success in development and sale of aircraft for the commercial market will, as in the past, be dependent upon the





extent to which aircraft designed and produced to meet military needs can be adapted to commercial uses. History has shown that in practically every instance commercial aircraft are the direct descendants of military aircraft.

It is believed that we have within the aircraft industry facilities which can be expanded, and the competence to keep abreast or ahead of the technological developments of the future. As the industry develops it not only would be capable of taking care of Canada's requirements, both military and civil, but also through export could contribute to the military and civil requirements of the free world.

If, as mentioned previously, peace is to be maintained through the strength of the free world and Canada continues to maintain a reasonable state of defence preparedness in keeping with our ability to meet such expenditures, it would seem proper to assume that aircraft production activity in the future would have some relationship to the aircraft sales during the last five years, which has been the era in which Canada has established an active peacetime air force and assumed a major role in international affairs. During this last five years, aircraft sales have averaged \$280,000,000 per annum, which compares very closely to the actual attrition figure of \$300,000,000 which was established from 1955 production.

As a result of the projected military activity in the aircraft industry, the opportunity for further activity in the commercial field may well present itself. Air passenger transportation began to make an impact on the transportation systems of the world



in the early thirties, but it was not until the year 1938 that the passenger miles flown exceeded the one billion mark and by the year 1950 this figure had reached 17 billion passenger-miles; by 1960 it is expected to reach 69 billion; and by 1970, 150 billion passenger-miles. While this growth is phenomenal the airlines of the world have anticipated such an expansion of activity and the aircraft now flying, less those that will be lost through attrition, plus aircraft on order will take care of this projected growth in traffic through 1961.

Air cargo transportation is another field of activity which may well benefit from military activity in the aircraft industry. In the last twenty years some headway has been made and in 1954, 725 million ton-miles were flown in the free world. This still represents a very small percentage of the world cargo potential. Cost has been the deterring factor to date. There is considerable optimism amongst the air freight operators of the United States that once an aircraft with a low enough operating cost per ton-mile is available a tremendous air freight market will open up. Technological advances in the coming years may well make it possible for the airline operators to make inroads on the present methods of handling cargo via rail, road and sea.

Any conjecture about the future growth of the industry is speculative indeed. However, it would appear that from a technical point of view we may be assured of development in several directions.

First, the quest for additional speed is sure to continue.





Secondly, the search for the means to operate at ever increasing altitudes will go on unabated.

Thirdly, the size of aircraft seems destined to continue to increase.

Fourthly, from a military standpoint, the gradual transition from manned to unmanned aircraft appears to be inevitable.

Fifthly, new and radically different fuels and propulsion units are bound to make an appearance.

If these coming technical developments are translated into requirements for physical and human resources, it is evident we shall be making demands on the most advanced segment of the Canadian economy, with requirements for technicians and skilled workmen, scientists, advanced research and testing equipment, complex machines and materials not yet developed.

As far as the part played in developing Canadian research facilities, up to the end of World War II the aircraft built in Canada were either elementary in design or were built under license from a foreign manufacturer with the result that research facilities were practically non-existent.

For five years after the end of the war the position of the industry was one of instability and no company appeared willing to invest in research to any extent. It was unstable to the point where it was difficult to recruit the required personnel. For example, Canadair employed 6,500 persons in early 1947 but by June 1948 employment was reduced to 2,100 persons because of lack of work. On securing an order for North



Star transport aircraft in the summer of 1948, employment was subsequently 5,500 but this was again reduced to 2,300 on completion of deliveries. Thus, for private capital to invest in research facilities without knowing the source or type of aircraft which it would be called upon to produce would have been uneconomic.

Since Korea, Canada, as well as other NATO countries, is more or less committed to a long term defence preparedness programme. The result has been the manufacture of first line aircraft of Canadian design, the manufacture in Canada of aircraft engines both under license and of Canadian design and also the establishing of companies in Canada to manufacture the various complicated pieces of equipment required for these aircraft and engines.

With this new policy and the establishment of these new companies a good start has been made in developing research facilities in Canada. Here at Canadair we have just built an engineering test laboratory and installed test equipment at a cost of \$2,200,000.

I am sure that in the years ahead independent research facilities will continue to grow. Your attention, however, should be drawn to the fact that in the United Kingdom and the United States the governments of those countries have invested tremendous sums of money in research facilities, and in aircraft design and development programmes and I think that if our industry here is to progress and if we are to retain our technical personnel, a similar course of action on a more modest scale must be taken by the Government here. In other words,





industry cannot undertake the establishment of research facilities on its own without some assurance of development and research contracts to reasonably occupy such facilities.

As a conclusion: Freedom will depend largely in the future on the ability of the Free World to keep pace with the technological advances of military equipment that are bound to take place. In the light of events today, it would seem safe to assume that there will be a continuing need for Canada to maintain a reasonable state of defence preparedness in keeping with our ability to meet such expenditures. It would also appear that the prime role in defence will be increasingly against attack from the air. This will undoubtedly mean fighter aircraft supplemented by missiles in one form or another, together with support and utility aircraft including long range coastal reconnaissance aircraft; and short, medium and long range transports.

The aircraft industry is an essential, integral part of an air force. It supplies the equipment without which an air force would be ineffective. Technological advances in themselves create exacting demands upon the industry. It is safe to say that no other industry of any significance has the need for the degree of proficiency required for success in the aircraft industry.

Besides filling the important role of supplying the requirements of the military services and, to a lesser extent, the needs of the civil airlines, the industry has attracted to this country the types of individual so necessary for the future growth of Canada.

... past few years towards achieving "complementary production", much remains to be done in gaining the total acceptance of this principle.



While some progress has been made in the past few years towards achieving "complementary production", much remains to be done in gaining a general acceptance of this principle.

Mr. Chairman, that ends my review of the brief.

THE CHAIRMAN: Thank you, Mr. Notman.

MR. NOTMAN: And if I can answer any questions, I am at your disposal, Mr. Chairman.

MR. GRAUER: With respect to the skilled people that the aircraft industry has been getting, will there be a continuing need for that or are there internal sources of supply being built up now?

MR. NOTMAN: We at Canadair have, I got the board's approval to support two chairs of Aeronautical Engineering at McGill University and one at Laval. At the present time McGill is not giving courses in either aeronautical or stress analysis, both of which we feel are absolutely essential to the future growth of the industry, and at Laval they are undertaking post-graduate work up to, I believe, including Masters Degree in Aeronautical Engineering, and they want to hire if at all possible the top scientists on a visiting basis to come and act as lecturers in various phases of the engineering field and they propose from year to year to hire different individuals from different countries of the world.

We believe ourselves it is necessary to support the colleges and to try and develop from within Canada those techniques that are needed in the aircraft industry. At the present time and in the last few years





we have been hiring largely from the United Kingdom and we have hired over six hundred engineers in England.

MR. GRAUER: That is still going on, is it, that process?

MR. NOTMAN: Well, it is going on but the bottom of the barrel has been reached in England. The last advertisement we ran in various papers in England brought forward about eight hundred applications but when we sifted them down there were about sixty-five that we would care to take and thirty-five of the sixty-five accepted, about in that proportion. The first few years we got very good people.

MR. GRAUER: On the nuclear application of the aircraft industry in Canada, I suppose it is pretty early to tell what the future of that might be?

MR. NOTMAN: We believe, yes, that that is probably so. We are convinced that the long term future of the atomic energy is one that must be followed and it is a good thing to get in at the bottom, and go along with it with the idea of developing a general knowledge which may be effective in the future. Our parent company in the States has been doing research work in connection with radiation in aircraft and you may have noticed in the newspapers a couple of weeks ago that the first reactor flew in the air where a belt was carried by a B-36 largely on routine research of checking radiation and hazards within an aeroplane.

MR. GRAUER: It flew over the sea, I suppose?

MR. NOTMAN: Well, probably -- well, it



flew out of Fort Worth, so it took a long time to get to the sea. They probably kept it to the fairly isolated areas around that part of the country.

MR. GRAUER: I gathered from your submission the range of aircraft which you thought might be feasible in Canada, the primary types of aircraft, would be military but you do hope to make some adaptation of military types particularly in the big transport planes for commercial use; is that right?

MR. NOTMAN: That is right. There is no question about it that history has shown that practically every aeroplane flying today in civilian, commercial use has generated as a result of some military requirement. The DC-3's, for instance, there were over ten thousand built during the war. A large number of them were sold and converted to the DC-3 operation and they were known as C-27 as a military transport during the war. The same with C-55 being changed back to DC-4's.

MR. GRAUER: The Britannia?

MR. NOTMAN: The Britannia is a plane of which we are now building a Maritime Reconnaissance version, and we hope that there will be a requirement within the air force for what we call the C.L.-44, which is a military transport version of that aeroplane. Once that is developed then there is a potential as a freighter and a commercial version of that aeroplane.

MR. GRAUER: Thank you.

MR. STEWART: Mr. Notman, we have been hearing a great many opinions, I might say differing opinions, on the question of outside investment in the





development of Canada's resources and Canadian industry, and the question of subsidiary plants, and so on. Would you care to express any views on these matters?

MR. NOTMAN: Let me put it this way perhaps: I happened to be at the end of the last war the Associate Director of Industrial Reconversion. I was also one of the members of the Joint Planning Board for the setting up of the arsenals of Canada, and two areas we didn't cover were aircraft production and shipbuilding, because it was felt that private interests should have a definite interest in carrying both aircraft and shipbuilding on. It was generally known that the Canadair plant was available at the end of the war for some time, and I can say to my knowledge there was no risk capital available in Canada to take up the Canadair plant. At that time, shortly after we launched the first North Star, it was then a crown owned company operated by Canadair Limited, which was a management organization that operated the company for the Crown, and as we walked back from the plant, I remember Mr. Howe saying to Ben Franklin, "I think we should sell this place, Ben. Can't you find a buyer for it?" And as a result of Ben Franklin's efforts he found in the United States that the Electric Boat Company had some separate funds that were left over as a result of their wartime activities and were interested in investing in Canada, and they came to Canada and bought the plant from the Crown and have operated it ever since.

There are decided advantages in this respect, that if nothing had been done at that time the



Canadair plant, I believe, would have just wound up like a lot of other government owned facilities at the time, where we partitioned them off and made them multiple tenancy plants, the Bren gun plant in Toronto was an example of that, and the Small Arms plant at Long Branch. Now, I do believe that if it had not been for the fact that American risk capital was prepared to come into Canada at that time that there would not be an aircraft industry to the extent that we have today. They contributed through the know-how and knowledge that they were able to supply and the continuing liaison with the United States has been of very great help to us as Canadians, who are now operating the plant.

MR. STEWART: We have had that view expressed in relation to other situations. One of the views that has been expressed from time to time is that Canadians should have an opportunity to participate in the capitalization of these companies. Have you any comments on that?

MR. NOTMAN: Well, that was done to a large extent through the offering of 50,000 shares of General Dynamics in the Canadian market and the listing of General Dynamics on both the Toronto and Montreal stock exchanges, so that the purchase of General Dynamics is in fact a purchase of Canadair, it is a wholly-owned subsidiary.

MR. STEWART: I am afraid I don't know about the situation of your own company, I am more interested in the general principles involved.

MR. NOTMAN: I don't see any disadvantage myself personally. I mean I don't see that there is any





need of Canadian ownership. I mean you can get Canadian ownership through the participation in the American company where it is a wholly-owned subsidiary.

MR. STEWART: But that is a good principle.

MR. NOTMAN: Sure. I would think it is an excellent principle.

MR. STEWART: There seems to be a concern about the control, that is, where the decisions are made in the case of subsidiaries.

MR. NOTMAN: In our particular case there is no problem, and I think I have heard it said by Max McKenzie and others, that he feels that the principal objective is that if a company is permitted to make its decisions within the light of the conditions in Canada then there is really no harm done, and that is the case as far as Canadair is concerned. I happen to be a Canadian and I happen to run the plant and I have never had to -- I don't take directions in any respect in the operation of the Canadian plant, other than general corporate policy, and if it is shown in the interest of Canadians to do a certain thing a certain way, the decision has always been as it should be in relation to Canadian operation.

MR. STEWART: Thank you very much.

THE CHAIRMAN: You have referred to your industry in another context, it is the most advanced segment of the Canadian economy, with which I think most people would agree. It certainly is, and I think you made it clear that the future does depend really on defence policy, does it not?

MR. NOTMAN: There is no question about



that.

THE CHAIRMAN: Really it is just as simple as that?

MR. NOTMAN: That is one statement it took me twenty-eight pages to tell you.

THE CHAIRMAN: That is right. Because the twenty-eight pages are enough, I have not any other questions, because it seems to be all wrapped up in that one.

MR. NOTMAN: If I could and if I might, I would like to perhaps emphasize one point, that is the potential there is in export business.

THE CHAIRMAN: Yes.

MR. NOTMAN: The inquiries we have now from all parts of the world for F-86's, for instance, and unfortunately we have had orders that we could not accept by reason of the fact that the particular government in question that wanted to buy our planes were not cleared by both the United States --

THE CHAIRMAN: They were not a member of the club?

MR. NOTMAN: They were not a member of the club, and so the aeroplanes could not be sold. But the selling of aeroplanes throughout the world and the establishment of air forces in these various countries such as Australia -- now, if Australia buys the first batch of aeroplanes and it is going to maintain an air force in the future, it has got to come back to us again for more aeroplanes -- and one of the points that I have been belabouring for a while now in Ottawa is that I think it would be advisable that we get on with the





F-86 production, and if another aeroplane comes into being that is standardized, say, with the United States and we develop into production in Canada, that we should tool for it. Now, it might cost \$25 million to tool for it, but if as a result of that it produces thirty, forty, one hundred or two hundred million dollars' worth of work in the future, and that generates profits which are taxed, and it produces employment, income and work for the various segments of the industry in Canada, I can't help but feel that that would be one way in which the Government could really help in developing an export business.

THE CHAIRMAN: In the process, I suppose, develop skills that probably cannot be developed any other way, not only in your own place but in all of your sub-contractors' shops?

MR. NOTMAN: That is true all the way through. The other point about stability, if there is no stability in this thing, this happens to be an industry which cannot do perhaps what the car companies do, just lay a whole crowd off and bring it back six months later. There would not be an industry in Canada if that happened. It is fortunate that the last five years has been one of relative stability, and having committed ourselves to a mutual air force and certain commitments under NATO and otherwise, it looks as though we cannot help but believe there is going to be a continuing requirement for the military production of aircraft and out of that we can develop the military export side, and as requirements for transports develop and the first one is the Britannia now, there is a possibility of getting particularly



into the freight market. The freight market has barely been covered in recent years.

THE CHAIRMAN: We did think the presidents of the two principal airline companies who appeared before us were overly optimistic as to the prospects for air freight.

MR. NOTMAN: I don't think that the commercial airlines themselves are the ones who are really looking at the air freight as much as Slick and Flying Tigers and people who have gone into the freight business by themselves. I think the Seaboard Eastern man was up the other day and he said if you could get the cost per ton-mile down we could open up thirty million tons a year across the ocean, and they are doing a substantial business now ocean-wise. A lot of people are shipping by it. And one other thing we are hoping for, the Britannia happens to be, it looks as though it was going to be the lowest cost per ton-mile of any aeroplane flying, and that does not say that is the end. It has got to be reduced further to really get much of this large volume of traffic that exists.

THE CHAIRMAN: We are very grateful to you, Mr. Notman. This has certainly been a very useful presentation to us, and we could not have got it any other way, and we really do appreciate it very much.

MR. NOTMAN: Thank you very much, Mr. Chairman and Commissioners, for the opportunity of appearing before you. It has been a pleasure, and anything I can do I shall be happy to.

THE CHAIRMAN: Thank you very much. We will adjourn until 2.30 p.m.

At 1.00 p.m. the Commission adjourned until 2.30 p.m.





A F T E R N O O N   S E S S I O N

THE CHAIRMAN: We will mark your brief Exhibit 120, Mr. Stein, and if you will proceed when you are ready, we will look forward to hearing you.

MR. STEIN: Mr. Chairman and gentlemen, I am going to try to summarize the brief as much as possible, and I will perhaps rearrange the order somewhat because I feel the emphasis we would like to place and the points which we are submitting to you would not flow from the order which we have adopted in the brief.

THE CHAIRMAN: All right.

MR. STEIN: We followed as much as we could the order I think the original pamphlet or notice showed, and consequently we did not think it fit for us to change that order, but we would like to place emphasis on certain parts of the brief more than others.

Now, as a matter of introduction I think I should tell you that the submitter of the brief is the Montreal Dress Manufacturers Guild, which is, we say on page one, a non-profit association, incorporated under our Quebec law in 1938. Actually the body functioned since about 1933, perhaps a year or two earlier. The Association is composed of 210 manufacturer-members, and its purpose is to promote the general welfare, progress and development of the dress manufacturing industry and the service thereof to the public, and to promote the trade, commerce and interests of its members.

I think a word might be said -- I will not deal with the localization and classification of the industry. It falls generally speaking into the clothing



industry. It is localized in Montreal and Toronto, whether as a clothing industry or as a dress industry proper, the same fact is revealed -- but I do want to define in a sense the dress industry because you notice we use the term "dress" with quotation marks about the word. It is more than just a dress, that is a term which has broadened in meaning in the industry and it is defined as comprising blouses, separate skirts, sportswear, which is in itself a general term, and includes a variety of products, evening wear, which is also a term implying evening dresses of various types, and analogous garments, but we do exclude in this industry knitted wear, knitted ready-to-wear is not part of our industry. That forms a separate group. It is an entirely different process of manufacture and we have always distinguished the two industries quite clearly.

This industry is located chiefly, as I said, in Montreal and Toronto, and about ninety-five per cent today of the employees in the industry are female. That is a significant fact.

I am going to dispense with reviewing the history and development of the industry except to say to you that the industry has come a long way from the kind of industry it used to be at the beginning of this century, and I have dealt on pages 4, 5 and 6, and also in a very summary manner later in the brief with the progress the industry has made in the last thirty years.

I come now to the points which we wish to submit to you, and I will deal first with what we consider to be the most important single item in our brief, and that is the destructive effect upon this





industry of importations under the \$100 tariff duty free entry.

One of the most destructive blows to the stability and economy of the "dress" industry -- this is at page 13 -- is the impact of the \$100.00 tourist duty-free entry upon this industry. It is submitted that a most inequitable proportion of this concession in tariff trading falls upon the Canadian "dress" industry. It is universally recognized that the Canadian woman is the shopper in her family. As a consequence, in most instances, the bulk of the declared \$100.00 tourist duty-free entry represents merchandise purchased by this shopper and comprises largely women's and children's clothing.

According to the statistics for the year 1953, more than \$34,000,000 of declared importation of clothing entered into Canada under the provisions of the \$100 tourist duty-free entry. This is the declared valuation. It is reasonable to assume that at least forty per cent additional may be added to this figure if we are to estimate the true value of the goods brought into this country by this means. This, moreover, makes no allowance for the indirect importation by tourist duty-free entry, that is, where the tourist fails or neglects to make the declaration required of him under the law. It has been roughly estimated that it would not be a gross exaggeration to double the figure of \$34,000,000.

THE CHAIRMAN: Is that your estimate?

MR. STEIN: That is our estimate, Mr. Chairman.

THE CHAIRMAN: Conservative estimate?

MR. STEIN: Well, we have suggested this



estimate, our committee on a number of occasions have suggested this estimate before tariff officials in Ottawa, and they were not shocked nor were they surprised nor did they refute strenuously the figure. Of course, we have no statistical information to support our contention, but we say roughly --

THE CHAIRMAN: It would not seem to me that it was a very startling estimate.

MR. STEIN: No. We say roughly that for every dollar that is declared there is a dollar which is either undervalued or not declared of imported goods, and we are not exaggerating, we submit, with respect, in suggesting this figure, and we have watered it down in so far as its application to the dress industry is concerned, as you will see in a moment.

It has been roughly estimated that it would not be a gross exaggeration to double the figure of \$34,000,000, if the true valuation of the "tourist duty-free entry" importations into Canada is to be established. Although no exact figures are available, due to the method of declaration used by the Customs, representatives of the dress industry consider that at least 60 per cent of these importations, directly and indirectly, constitute dresses and analogous garments. This means, in effect, that more than \$30,000,000 worth of dress products are brought into this country under the \$100 tourist duty-free entry. As the gross total value, at retail level, of the Canadian dress industry is approximately \$180,000,000, it is apparent at once that a sizeable slice of the total Canadian consumption of dresses is satisfied by purchases





made in the United States instead of in the Canadian market.

There is no justification -- and this is our very sincere and we think most justified submission to this Commission -- there is no justification whatsoever for sacrificing this important secondary industry in Canada in the process of bargaining for other tariff advantages. It is urged, therefore, by this industry, that a limitation, both as to quantity and value of dresses imported and included under the \$100 duty-free entry by tourists, be made effective in order to protect the economy of this secondary industry. A precedent for such a practice has been established in the case of such commodities as cigarettes, tobacco, liquor, and electrical appliances, and so on.

We are suggesting in brief, Mr. Chairman and gentlemen, that there be a limit to the number and a limit to the value out of the \$100 tourist free entry so far as dresses are concerned, just as the customs officials, as the regulations now limit the number of boxes of cigarettes, you have a carton which is permitted or a bottle of alcohol, liquor or something of that kind, some limitation should be put quantitatively and in value to prevent the full impact, at least to try to prevent the great impact of this entry of goods through this means upon the dress industry itself.

In addition, the valuation of articles imported under the \$100 tourist duty-free entry should be substantiated by certified invoices produced by the tourist at the time of entry. The present instruction or advice given to customs officials is not mandatory -- and I should in parenthesis say that we in a number of



cases have submitted to the officials that we want this done, and it was after a long period of representations to the Department that this, not mandatory, but suggested order was issued, that invoices should be asked for where possible or might be asked for where possible.

The present instruction or advice given to customs officials is not mandatory, but merely suggests that invoices be required "where possible". As a result, such invoices are never, or very seldom, I should say, requested by officials when making inspection. And just another word or two, we appreciate that this is inconvenient, an inconvenience to the traveller perhaps and perhaps to the customs official in doing and performing his duty, but it is of the utmost importance in the overall effect of this means of importation that the traveller who comes back, the tourist who comes back with goods under this entry be prepared, should be prepared to substantiate his valuation, and on that basis we submit a very substantial portion of the indirect importation would either be eliminated or would be cut down most substantially, and that is an important factor to us where the direct effect or the impact, as we have said, of this type of importation seems to concentrate itself upon our industry.

Each of the foregoing suggestions, that is, limitation as to quantity, limitation as to value, and production of certified invoices, would substantially reduce the indirect importation of dresses from the United States market into Canada to a more realistic figure in keeping with the protection required for this important secondary industry. Statistics for the years





1952, 1953, 1954 and 1955, for the period which we had available up to July, show that the total amount of importations of clothing declared under the \$100 tourist duty-free entry is being maintained by the Canadian shopper at a figure in excess of \$30,000,000 per annum. To permit this condition to continue means the ultimate destruction of the Canadian "dress" industry. It is of the utmost importance, therefore, that steps be taken as quickly and as drastically as possible, to reduce the impact of this direct and indirect importation of dress products into Canada.

Despite the general prosperity in Canada which followed the post-war period, and more particularly the general prosperity evidenced in this country during the past year (1955), the Canadian "dress" industry has not had the same kind of prosperity at all -- I am paraphrasing for the moment -- it has not enjoyed by any means a progress which is evidenced by other industries nor has it benefited by the all over picture of prosperity of the all over Canadian progress or the improvement of Canadian economy. On the contrary this industry has suffered since the post-war period a depression and the depression is becoming more and more marked each year as we go along, despite the overall picture of prosperity in the country, and it is this contrast between the prosperity in the country generally, on the one hand, and a setback in the dress industry itself, on the other, which prompts us to emphasize the necessity of a revision of this attitude towards the \$100 duty-free entry in so far as it applies to and has its effect upon the dress industry.



On the contrary, the "dress" industry has undergone a serious post-war depression, and still suffers from the same depressed state chiefly because of this unfavourable tariff position. But this is not all, on the subject of tariff.

Canadian Tariff on Dresses and  
Proposed revision of method of  
Valuation

The Canadian "dress" industry also suffers from the existing customs regulations in dumping of "dress" and allied products into this market.

Canada's "dress" industry is speedily affected by the changes in the market of its neighbour the United States. The largest center in the world is located in the City of New York, a few hours' travelling distance from Montreal. Any change in the conditions in that market is quickly reflected in the market of the same industry in Canada.

The Canadian Government has attempted to protect the Canadian "dress" industry from the adverse effect of the United States market by anti-dumping regulations and similar administrative measures. Unfortunately, however, Canada's customs field force is entirely inadequate to render its anti-dumping regulations effective against the rapid changes which take place in the United States dress manufacturing market.

Firstly, it is very difficult to establish with accuracy the "fair market value" in the country of export at any given time after entry of the merchandise into Canada. In the meantime, the effect of the importation of "dumped" dress products from the United





States upon the values and economy of the same industry here, has taken its toll, and can no longer be remedied by "post-entry" or "anti-dumping" measures, even if applied. In most cases "anti-dumping" measures are not applied because of the lack of an adequate field force to establish control of "fair market value" in the country of export.

Now, we refer next to the clause which used to exist in the Export Act, Clause No. 36, which was basically a means of establishing a fair market value where other rules or yardsticks did not apply on the basis of cost of production and a reasonable profit. We suggest that a similar clause be reinserted in the Customs Act. We think it is necessary, we think it is important for our industry, and we add further that we think some new definition of fair market value should be adopted in so far as it applies to our industry, so that it will have a more realistic relationship to regular or normal values, not to the actual existing values at the time of export into this country.

I don't want to digress because it would mean going into some detail on the question of tariffs. We touched upon it, we put it before you, and we feel that the present definition is inadequate for our industry. It may be quite adequate for other industries, but for our industry, which is a style industry and in which the price structure in a given industry changes so quickly, particularly in the New York market, because of internal dumping, if you wish, in their market both of raw materials and of the finished



product, and that under the present definition constitutes at a given moment fair market value for that industry or for that product at the time, totally unrelated to our own economic situation at the same time, and yet it is accepted as fair market value. I don't want to digress, as I said, but we suggest it is time now to revise the thinking on this definition and perhaps frame a new definition more suitable to the needs of this industry.

Then, of course, we come to the next item which is earlier in our brief, and that is the tariff position of this industry in so far as its raw material is concerned, the supply of its raw materials or fabrics, and I take you back here, Mr. Chairman and gentlemen, to page 7 and following of our brief.

Canada's dress industry is vitally concerned with the source of raw materials it requires for its products. In the manufacture of its products, the Canadian dress industry uses the following basic raw materials or fabrics, and I list them for you. They are woollen, cotton, silk, rayon, and you may use one term, synthetic or man-made fibres for the rest of the new fangled, as we call them, terms for the product.

These fabrics are purchased from Canadian textile manufacturers located principally in the following provinces: that is, in Quebec and Ontario, and we cite certain interesting statistics which we trust will inform the Commission in some respects concerning the localization of this market as well. What is important is what follows, in our opinion.

Since the dress industry in Canada is





a style or fashion business, it is essential for this industry to keep itself abreast of new trends in fabrics in order to compete favourably with foreign competition within its domestic as well as external or foreign markets. The Canadian textile industry like the Canadian dress industry looks to other style center markets such as Paris, London and New York, for information and inspiration concerning changes in fabrics or other materials used in dresses. Nevertheless, it is unable, because of the limited consumption in Canada, to reproduce at the same time as the larger markets such as the United States, with the same efficiency at the same low cost, and in the variety required, the new fabrics or novelties which reach this market through fashion or style centers.

Consequently, the Canadian dress industry obtains a substantial proportion of its raw material from foreign markets (principally the United States), in order to introduce those fabrics required to keep its products in a competitive and fashionable relationship to other dress products shown in leading style and fashion markets, and, I might add, shown in our own market in Canadian stores importing finished products from foreign markets.

It is not surprising, therefore, that we have found during the past number of years, almost a fifty per cent increase in the importation of raw materials by the Canadian dress industry from other markets. To me the more important figure is the proportion of raw material which is bought by the Canadian dress market from outside the Canadian textile market, and that is resumed at the middle of page 9.



In 1955, though Canadian production was up, the Canadian textile industry supplied only about 57 per cent of the fabrics used in Canada, compared to 59 per cent in 1954.

In many instances, the novelty fabrics which are imported are first introduced into the Canadian market by Canadian manufacturers. If such fabrics become firmly established as basic materials, the Canadian textile market then receives the bulk of the Canadian dress manufacturing orders for the supply of such raw materials. And I think we would like to add here that the Canadian textile market has sincerely made an effort to fulfill these demands, and we have no criticism to offer for their performance, but the facts speak for themselves. I think these figures were substantiated in a press release I saw not more than a few days ago, they varied a per cent or two but it was unimportant. I think the president of the Primary Textile Institute said that about 55 per cent of Canadian fabrics were imported -- at least 55 per cent of the fabrics used in dresses were Canadian manufactured, and about 45 were imported, and it was an increase of several per cent over the previous year.

THE CHAIRMAN: I suppose when the president of the Textile Institute appears before us when we return to Montreal in February he may have something to say about the adequacy of the tax on textile products?

MR. STEIN: Most certainly, Mr. Chairman, and we are not opposed, while there is a conflict of interests, we are not opposed to having -- we don't wish to have the textile industry suffer at the hands of the





tariff structure, by any means. We would like to see them protected providing a similar and adequate protection is given at least to the dress industry and the finished product, and I will deal with that in a moment, because there is a most unusual situation with respect to the tariff structure on textiles and the tariff structure on the finished product, dresses, which I will deal with in a moment. But at the moment we say that this is the situation, we are seriously affected by a tariff position or protection afforded to the Canadian textile industry, and we say since the Canadian dress industry must import its own fabrics to a substantial extent from such larger textile markets as the United States and England, the rate of duty imposed on such importation constitutes a serious factor in the determination of the cost of the Canadian dress product.

Now, I deal with the figures, the statistics, showing the relationship, and this is the unusual situation, in most countries the tariff protection given a finished product is usually higher than that on the raw material used in that product. In our industry a situation quite different appears. There is about 15 to 20 per cent higher tariff on the raw materials than there is on the dress product. In other words, a manufacturer who imports the raw materials must pay 15 or 20 per cent proportionally higher tariff, higher duty on the raw material which he uses than the retail store, our customer, our consumer, would do to import the finished product.

Returning to the textile industry for a moment, we have in one respect a great common interest.



For every dress which comes into this country either by way of the \$100 tourist free entry or by direct importation to the retail stores at a lower schedule than their own raw materials, the Canadian textile industry loses between three to three and a half or even four yards of material, and just as seriously as it affects our industry it must equally affect them in the loss of the use of this raw material by the Canadian manufacturing industry. Consequently, our interest becomes their interest as well, and we have a common cause in that respect, that the industry as a whole, in protecting the dress industry you are also protecting the Canadian textile industry, to perhaps even a greater extent, since we are using about 45 per cent of raw materials from outside countries, and this would mean a great saving to them if they could recapture this lost market due to importation under the \$100 tourist free entry and other direct importations.

THE CHAIRMAN: These tariff rates you have listed on page 10, are they the rates which apply on importations from the United States, Mr. Stein?

MR. STEIN: Yes.

THE CHAIRMAN: The rates which apply on importations from the United Kingdom would be lower, would they?

MR. STEIN: Yes, they have a preferential -- we have dealt with -- perhaps it was an oversight on our part, but the importation from the United Kingdom is not at all serious.

THE CHAIRMAN: Yes.

MR. STEIN: It is the importation from the





United States which is, which always has been, and it is the --

THE CHAIRMAN: Well, we are talking about style goods.

MR. STEIN: Well, we have great respect for the United Kingdom products and their styling, and as a style center Paris, of course, is most important. Yet by virtue of the proximity perhaps and for other factors which I think are irrelevant to our discussion, the United States market and New York is the market we have to keep our eye on and do keep our eye on. It is from there we receive the heaviest blow, by far. Consequently, we say it is common knowledge that in most countries the tariff protection given to the finished product, in this case, dresses, is generally higher than that provided for the raw material. The Canadian dress industry does not benefit from such a tariff advantage.

Now, I proceed from here to our next most serious item and most important item, and that is importations from the Japanese market. This is at page 18.

No survey of the prospects for growth and change in the domestic and external markets would be complete without reference to the Japanese market.

During the past year, the rapid growth of Japanese imports into this country in the form of cotton blouses and other products gave cause for considerable alarm to the Canadian dress industry. If the pattern in the United States is to be treated as an example, then the development of the Canadian dress industry must be seriously affected by the rapid increase in Japanese



exports of similar products to this market.

THE CHAIRMAN: How do they handle the style situation?

MR. STEIN: Well, I don't suppose I would surprise you if I told you that they are the greatest copyists in the world. So much so that the case which we illustrated before the officials in Ottawa not so long ago, was a case where a Canadian manufacturer had taken his new line of samples with him to Japan and was having it copied there, and we had some of the samples, some of the finished product copied there, great detail of work, at the price which it is impossible to compare, and listen to this, they copied it so well they even copied the Canadian label which is on the garment, and ostensibly the Canadian consumer could easily purchase this garment thinking it was Canadian produced or Canadian manufactured garment.

THE CHAIRMAN: They do the same thing with whiskey, I understand, but if you examine the labels carefully you will notice some rather startling warnings.

MR. STEIN: Well, Mr. Chairman, I don't profess to be officially an expert on whiskey. Unofficially, perhaps there is something you can detect in the taste as well.

THE CHAIRMAN: Too late, then.

MR. STEIN: However, there is a remarkable capacity on the part of the industry there to copy in the greatest detail of the garment. Of course, I suppose style-wise it is not always the very newest style which is bought over there, but there is not any style which is sound and basic and doesn't vary too much from season





to season and it would be a tremendous loss to the dress industry as a whole if this kind of importation developed and increased as it has in the United States. And we have been told, not officially, but the information has been given to us that not only do we realize this threat but even Japan realizes that the Japanese manufacturer or exporter realizes the threat and has voluntarily decided to restrict or limit on some quota basis the importation, the exports that would be from their end of their products to Canada. Now, of course, no industry can thrive under such an atmosphere. We suggest that their product is certainly not one which is made, or which is intended to be made, for home consumption, and we think that the newly amended sections of the Customs Act, giving the Minister the right to fix arbitrarily for customs purposes or for duty valuation the value of these products, could be applied, but if it cannot for some reason or other then certainly some weapon should be placed in the hands of the officials to arbitrarily fix the value for duty purposes of such products; otherwise, we would not have a chance. We would not have a chance.

Now, it has started with blouses, with a few odd items like skirts, and so on, but it will certainly spread very rapidly into other fields because there is no limit to what they can do and how well they can do it and so quickly, and we just can't afford to wait for it to happen and then complain about it. It is happening right now. As we said, in one case that we know of, this manufacturer has cut out a substantial part of his large business in these products and is bringing them



in holus-bolus right from Japan to Canada and selling them to the Canadian stores. If that spreads we are in a very, very dangerous position economically, as an industry.

We have another item which we draw to your attention, and that is the loss of our external markets, on page 20. This industry used to enjoy a very excellent trade with other markets, particularly South Africa, Australia and New Zealand, West Indies and United Kingdom, and as a matter of fact we had developed a very fine reputation for the kind of products which we were shipping. While our styles were not always dressed up in the same manner as the American style was, buyers informed us on many occasions that there was something about our workmanship and the manner in which the goods were shipped and their very dealings with the Canadian market were most satisfactory, and they always kept a certain proportion of their purchases for the Canadian market and it had increased very rapidly over a period of years. But subsequent to 1947 the currency restrictions came into the picture in nearly every one of our foreign markets, and we have lost this market almost completely. There is in the case of, I think, one or two, perhaps the Union of South Africa, a quota basis of 33 1/3 per cent of what was the 1948 shipment, but unfortunately for us that was the year when they cut us out completely. We therefore have very, very few of the manufacturers who have any quota to speak of. We have lost that market completely. We think it could be reopened. We think there is room for trading with them, and we urge those officials who will be engaged very shortly







in that kind of exchange, to do something about the situation so that we may regain this market because it is a most important market to the Canadian industry.

Their seasons dovetail beautifully with our own, with the result that it meant stretching out the industry's seasonal period. It meant eliminating these great big peaks and big valleys which are so costly to the industry. It meant in effect that we could at the end of the season, instead of being forced to close out a lot of merchandise at a loss and upset the market generally, we were able to work out this surplus material and surplus product or produce from the entire industry, and dispose of it in another market, which used it to advantage without hurting their market, and helped our overall picture. It meant increased volume and as a result it also meant to us a lower per unit cost which ultimately benefited not only the industry but the consumer in the Canadian market as well. And we are most anxious for sound business reasons, affecting not only the industry but the entire Canadian dress industry, the consumer as well as the manufacturer, that this lost market be recaptured, and we urge that it be traded for at the earliest possible moment.

Now, we have made reference also to the United States market, as an external market. While the Canadian market is a pigmy in size to the American market, and in addition to which the American market has tremendous advantages over the Canadian market by virtue of their position, they are able to stretch their seasons -- we only have a very short summer period, we have certain seasons which are fixed and limited -- they are able to



sell their products all through the United States at various times of the year; they always have a south to send goods to if they are through with the summer season up north, and they have many advantages which we have not, apart from the fact that they, of course, have this tremendous difference in the summer market as compared to Canada. Canada has, we estimate, a five million female population, based on fifteen million of Canada's full population. If we take the same percentage in the United States, they must have, of 160,000,000, they have probably fifty or sixty million. In other words, ten times our market. Despite this situation the United States keeps its market better protected than the Canadian Government keeps the Canadian market, from the point of view of the dress industry. The United States has a minimum -- now, I refer you to pages 23 and 24 -- they have a minimum of about 45 per cent duty on what is the most important, or the two or three most important types of dresses, either rayon or wool or synthetic. This is arrived at by a composition of ad valorem duty plus a specific duty plus a certain minimum if embroidered -- well, nearly all dresses have some type of trimming or embroidery on them. In other words, these low figures don't mean very much.

The  $32\frac{1}{2}$  per cent ad valorem duty does not mean a thing because there is a minimum of 45 per cent immediately and they have other ways of increasing that. We estimate that their average duty is easily 60 per cent, now. It used to be closer to 90 per cent. This is after many drastic reductions over a period of the







last five or six years or more. Despite that ours is only 27½ per cent ad valorem for the same kind of product coming into this country, and consequently we have not the opportunity to sell in their market which we might have if our tariff was at least reciprocal and equal.

I think we could do, in certain periods, we could do a certain amount of business in the United States if we had an opportunity to reach that market, but we are stopped by this higher tariff and then we are stopped by other things which unfortunately we should not be affected by, but we are, and these are the non-tariff obstacles to Canadian dress products: the red tape regulations and the arbitrary fixations of the highest duty applicable by the customs officials. The greatest friend of the industry in the United States is the customs official who looks at the package of goods trying to come into their country. He is a law unto himself, and there are any number of excuses and reasons given for these arbitrary valuations -- the label, the tape at the bottom of the dress, the thread used, the loops for the belts -- the most unimportant ornaments attached to a dress would be sufficient justification to apply the highest tariff, besides the delays, and by the time the shipment gets into the market the season is gone and the exporter who sought to find the market has lost the opportunity and has given up in despair.

We don't reciprocate to any extent in this type of obstacle. The United Kingdom is not too averse to using this type of tariff, too, but our customs officials are by and large very liberal and they don't



hold up shipments, they pass them on the basis of the written document, the bill of lading which is there, and that is it. In many instances they just glance at the shipment or the contents. Now, we consider that that is the kind of indirect tariff barrier to our access to the American and to the markets in the United Kingdom which should be removed.

This concludes our major submission. As you see, most of it centres around tariff and tariff problems as they affect this industry.

Your programme included a number of other items, and I will deal very briefly with the remaining two trends and productivity of the Canadian dress industry.

I think I would like to read briefly what has taken place. During the past thirty years the Canadian "dress" industry has undergone a marked change in its methods and system of production. Without sacrificing the individuality and variety of styles, the method of producing garments has become more standardized and, thereby, has enabled the industry to enter into the field of mass production of its products. By classifying its sizes more scientifically for more specifically determined groups, or types of consumer, I should say such as large women's, "half-sizes", women's, misses', junior misses', juniors, teen-agers",-- these are all terms that have a particular significance in the industry, -- it has been possible to reduce and standardize the range of sizes in each particular classification or consumer group. As a result, the low priced, popular or medium-priced, and even moderately high-priced garments are now being produced by a section-work system and by mass production.





However, the higher priced and "French Room" dresses are still manufactured by a more "dressmaker" method of production.

Not only has the method of production in the "dress" industry changed, but the conditions of production have been vastly improved. This industry takes pride in the efficient clean-up which it has effected through self-discipline and internal control. It has eliminated, once and for all, the "sweat-shop" system and "sweat-shop" conditions which infected its operations at the beginning of the twentieth century. Canadian factories are now located in modern and efficient buildings situated in the most desirable business sections of the metropolis. Factory buildings are well kept and provide the best conditions for health and sanitation. These conditions are enforceable under the terms of collective labour agreements existing both in Montreal and in Toronto.

In addition to control of the actual rates of wages, hours of work, overtime and so on, established under the collective labour agreements and decree, other social benefits have been introduced and established in this industry. To enumerate briefly some of these, we mention -

Accident and sickness benefit for all employees;

Mortuary or death benefits;

Retirement benefits after age 65 years;

Rest periods during each day;

Medical attention; and free Health Centre;

Vacation with pay;



Legal holidays with pay;

Relief of fatigue by piped-in music;

The provision of the most modern and sanitary premises for male and female employees.

We mention this with a certain amount of justifiable pride because we wish to maintain these standards and I don't think I need urge the fact that when an industry cannot derive a profit, and a reasonable profit, from its operations it soon affects the social welfare of its employees. These things are costly, and the only place they are derived from is from the industry itself, and we would like to maintain and improve these standards.

We don't pretend we have achieved the highest standards desirable, but we have done a tremendous job, the industry itself, and you will probably hear from the employees' representatives, I think, at your next session, in connection with the development of these features in the industry, which are quite universal, and, as I said, we emphasize it with justifiable pride. It is a job done by the industry itself.

Now, as to the prospective requirements for industrial and social capital, the financial requirements of the Canadian dress industry are unusually modest. Unlike many other secondary industries, there is no heavy investment in fixed assets, machinery, etc., necessary for the establishment or the expansion of the Canadian dress industry. Broadly speaking, therefore, we will not drain the financial resources of the country in any manner, shape or form by developing this industry. It is an industry which has up to the present time financed itself.





Credit terms in the industry are reasonable and not over lengthy, and on the whole the industry is in a sound -- has been for the past ten or fifteen years, conducted on a sound basis and it should be maintained on that basis provided, as we say here, the opportunity to realize a reasonable profit from its operations is protected.

If by social capital you meant to refer to labour force in this country, a word or two might be added on this subject, as well.

As mentioned above, the industry's skilled labour force has decreased appreciably during the past ten years. To overcome this obstacle, the industry has enlisted the support of the Provincial Government in establishing apprenticeship schools for dressmakers and designers. To assist these schools in their work, the industry has provided (without charge) materials, cut-up garments, and other supplies, and I should add we have even supplied some of our executives in the Association to supervise this type of work at no charge to the government or anybody else, with a view to furthering and assisting the developing of these schools. In addition, the industry has undertaken to place graduates from the school in profitable employment immediately upon their release from training at school.

However, much more could be done in this respect and we suggest that similar school centres could be established throughout Canada, and we think if such schools were established and if in some way financial assistance were given to these prospective employees to enable them to reach the Montreal and Toronto markets,



and perhaps maintain them there a short time, that the labour force could be improved both to the advantage of the employee and the industry itself. And we suggest also that this financial assistance need be no burden to the Canadian government because we could very rapidly and very effectively reimburse the government any advances, we have the means at our disposition to permit of that kind of reimbursement. We have the joint commission of the dress industry in Quebec, and there is a similar organization to our own in Toronto, which could be effective in handling that kind of reimbursement.

We tried a programme of that kind some years ago, a number of employees were brought into this country from other countries and the cost of bringing them in was adjusted in a manner similar to what we are suggesting, and we think it is important enough for the Canadian Government to give it some thought, the establishment of school centres, training school centres, throughout Canada in the larger cities, and assistance, financial assistance to be given gradually to enable them to reach this market and to look for work and obtain the work as quickly as possible.

MR. GRAUER: What are the difficulties in the way of the industry doing that?

MR. STEIN: Well, we can only do it effectively within the ambit of our own activities in the province of Quebec. It would be difficult for us to start reaching out into centres like Edmonton or Calgary or Winnipeg or Vancouver or the Maritimes. It is a long way from home for us to control, and we would not be in a position to go to the government of another





province, a sister province, and suggest to them that they set up a school to bring, shall we say, employees to Montreal or Toronto.

We don't think that we -- possibly we could do more -- we have not explored the situation, but we think it is something which should be explored perhaps by the Canadian Government first. We would be ready to give all assistance that we possibly can to any commission or committee set up for that purpose.

MR. GRAUER: How long a course would that likely be, the apprenticeship school?

MR. STEIN: About three months except in perhaps the very skilled operations, such as a cutter for a male or designer, but for the average employee two to three months would be sufficient training and then she could place herself in a factory very easily at a very good salary for that type of employee, inexperienced with just a minimum of training.

This, gentlemen, concludes our memorandum in brief. Our Committee here -- I think I gave your secretary the names, but perhaps I should indicate who they are to you.

THE CHAIRMAN: Yes.

MR. STEIN: Starting from my left is Mr. Harry Sherman of Vanity Frocks, who is the chairman of our Committee. Mr. Dave Randolph, who is the administrator of the various health funds and the retirement fund established in the industry. Mr. H. S. Greenwood, of Peter Pan Dress Company, one of our former presidents, honorary president, and a standby in the industry for



easily thirty or thirty-five years. I hope I am not giving your age away, Mr. Greenwood. Mr. Irving Kornbluth, of Korny Dress Company, and Mr. I. Cordes, the executive assistant of the Montreal Dress Manufacturers Guild.

THE CHAIRMAN: Thank you very much, Mr. Stein.

MR. STEWART: On page 16, in the second paragraph, you have a reference to the present condition of the industry. Is there any evidence you could submit in support of that?

MR. STEIN: Well, we could. It would require a certain amount of preparation and statistical information. We could submit a supplementary memorandum to give you the statistical information which we rely on.

Chiefly, we know the industry intimately and we know what has been taking place, but of course that might not satisfy the requirements of the Commission. We do know this, that there has been an increase in the number of firms who have not gone into bankruptcy necessarily, although a few of those have occurred, but firms who have simply closed up their shops, substantial firms closed up their factories and gone out of the business completely. There have been any number of those firms in the last three or four years simply closed up and gone out of business.

We also have some figures obtained through the joint commission, an indication that the sales volume has decreased since the peak years, since 1950 very appreciably. We also can judge by the wages, the production hours -- although the wages do





not reflect the true picture because the representatives of labour in the industry have been very alert, and as soon as there has been a drop in the real wage of the worker, they have demanded and obtained an increase to compensate, and we don't criticize them for it, we simply indicate that does not show what has been the true picture from the point of view of the economy of the industry, although we have had a squeeze, so to speak, on two sides. The labour force have said: "We are not going to suffer for this, if our actual earnings during the past year have fallen short of what it was in 1950 or '51 or '52, we want you to compensate that by an increase," and consequently even though they have worked fewer hours we have had to make good the increase for them.

Now, we could, by the time your Commission sits here next month, supplement this with some statistics -- not everything is available in statistical form, but we could. Broadly speaking, we know that that is the condition in the industry; we know it to be a fact.

MR. STEWART: Have imports increased?

MR. STEIN: Would you care to answer?

MR. SHERMAN: Yes, certainly. The protection against imports ceased when the country came out of its foreign exchange difficulties, and since 1950 the \$100 import rose gradually to \$33 million a year, and the commercial imports by the retailers have risen correspondingly. At that time they were under quotas and they were restrained. Today I believe there is approximately four and a half to six million dollars, around that figure, coming in at wholesale level by the commercial



importers, that is the stores. The tourist imports have been increasing, they took a few years to get under way from the period when the restrictions were on, when the foreign exchange restrictions were on. We also have production statistics and the graphs seem to work this way; as the tourist imports went up our <sup>production</sup> statistics went down, and they have dropped substantially since 1950.

The actual production in units of the dress industry has dropped since 1950. I think it is about a 30 per cent drop.

MR. STEWART: These figures are not in this submission, are they?

MR. SHERMAN: They could be got for you.

MR. STEIN: I was going to say, my recollection of the statistics of imports, we are not talking about the \$100 tourist free entry now, is that during the last year or two the imports through the retail stores has stabilized itself, although it represents a tremendous increase over the period such as 1950 or 1951. That is 1954 and 1955, to my recollection, or '53 and '54, whichever are the latest dates, were more or less stabilized at the same figure, but still represented a very great increase over 1950 and 1951 and earlier years. If I can have a moment I may find the statistics in my file.

MR. GUSHUE: I was just curious to know, Mr. Stein, perhaps I should know since I have a wife, what is the attraction of the women buying these dresses as they go down to New York or Boston or wherever it may be? Do they get, is it a better bargain or more attractive dress, or just what is it? Or is it that they like





to buy when they go somewhere else?

MR. STEIN: We could write a brief on that subject. There are many factors. There is no doubt that the American dress is an attractive garment, we are not disparaging their garments, nor are we minimizing the effect, we will say, of the style attraction. But there are many other factors which should not be there which are there. First of all, it is very enticing for buyers to make the trip to New York because New York offers so many other attractions besides the purchase of garments there. There is a wonderful theatre, it is a wonderful musical centre. It has many other attractions. And consequently no buyer is ready to give up the opportunity of going there if such an opportunity is afforded. In addition, for some peculiar reason, the Canadian retail stores for a long while -- they have stopped it to a certain extent recently, after our protest -- they used to glorify that American label. They glorified it. They would feature it beyond all proportions in the newspapers, New York label, such New York brand, and in reality the style of the garment, the value was not greater than what could be offered in an equivalent manufacturer making that particular type, yet for the American garment a great big full page ad with the glorified label, John Smith Company of New York, or some other catchy name, and the garment beautifully displayed in the ad. With the result that the consumer, feeling if this is so advertised there must be better value there, goes into the store and purchases more liberally of that type of product. Carry that out for a number of years and you have got consumer demand



created for that type of product. Then the buyer is justified in going to the American market to purchase this type of American style because she or the store has created a demand for that very garment.

We have seen it on many an occasion where the advertising is paid for out of all proportion by the Canadian store, whereas when the Canadian manufacturer was called upon to assist in some programme of sale, all through Canada, or something of that kind, in some cases, not in many, in some cases we were asked to contribute a part of the advertising expenses.

There are many factors which have disproportionately glorified the value of the American garment. And I say that at the same time I admit that the American garment is a nicely styled garment of good value. You can understand if they can produce for ten times the kind of consumer market we have, that they are in a position to produce at a level which we cannot, not to the same extent, and we must admit that New York is the fashion centre. We try to keep as close to it as possible, and we do, we think, with a good measure of success, but we have to concede that there are certain advantages which they have which we have not, but we do not -- we do not think that it is at all proportionate to the kind of stress which is laid upon the American label in the advertising in the Canadian press.

THE CHAIRMAN: I would just like to say that coming from Toronto I prefer to come to Montreal than go to New York.

MR. STEIN: Yes, Mr. Chairman.





MR. SHERMAN: I would like to add to Mr. Stein's remarks. Any American imported garment that is imported actually, that is not dumped, on which duty is paid and on which the local store gets its normal markup, is sold considerably in excess of what a similar Canadian garment is being sold. The consumer when he goes into a local store and buys an American garment is definitely not getting the value that she gets when she buys a Canadian garment.

As far as style-wise is concerned most of the prominent Canadian manufacturers today have style arrangements with prominent American concerns. Our merchandise reaches the market in approximately the same variety -- of course, conditioned by a smaller market and different climatic conditions -- but we do give the consumer better value for an American garment when it is sold in a Canadian store under normal conditions.

Now, there is another factor, I think the gentleman on the right meant what is attracting the Canadian consumer into the American market to buy her garments and bring them in under the \$100 free entry; is that part of your question?

MR. GUSHUE: No, I meant what was in the garment to attract them as against the Canadian garment? Is there anything in that?

MR. SHERMAN: Well, there is always a certain aura about an imported article. I was once struck by Macey's store training programme and their girls, their sales help and their staff were instructed to use a certain series of words if they were applicable,



And some of the words were sterling, waterproof, and one of the words was imported. It seems that a consumer will buy an imported garment.

MR. GUSHUE: That is true even in New York, isn't it?

MR. SHERMAN: Oh, yes, that is definitely true in New York. They have a problem of imports in their own market. As a matter of fact at one time --

THE CHAIRMAN: Not a very big problem, though?

MR. SHERMAN: Well, they have ways of overcoming it, though they do have the problem. As a matter of fact, one of our manufacturers made a very successful inroad into Macey's some number of years ago until the customs caught up with him. They had a metal buckle. Or another one of our manufacturers was exporting skirts into New York, and you are all familiar with the tartans that the young girls wore, the fringe. They trim off the warp of the goods and leave the fringe. So the customs inspector ruled it as a carpet. That is not funny. We were a little surprised --

MR. GREENWOOD: One of these fringe benefits.

MR. GRAUER: Is there any particular price range of dresses or types of dresses affected in this \$100 item?

MR. SHERMAN: More than others?

MR. GRAUER: Yes.

MR. SHERMAN: Well, we do know that the very high priced goods are badly hurt and in the summer season pretty much everything. If you were to go to





Plattsburg, New York, Buffalo, Windsor, Syracuse, Detroit, Bidiford, Maine, the Canadian consumers are buying as if the Canadian manufacture might cease.

I can tell you this that we do a very poor business in border towns, Niagara Falls, Windsor -- Vancouver suffers from Seattle -- Syracuse advertises in the Ottawa papers. Syracuse merchants advertise in Ottawa papers. We have had, I believe, Plattsburg and Burlington, I believe, advertising in our own press.

MR. GUSHUE: Is there any substantial buying by the American female tourist coming into Montreal and so on, in the same way?

MR. SHERMAN: We have been trying to get statistics on that score for some time. I don't think the Americans keep them. If they do keep them they don't release them. But in our particular field of merchandise there is very little being bought. There is a certain amount of woollens perhaps at different times of the year, but I think the tipoff is that sixteen million Canadians spend considerably in excess of one hundred and eighty million Americans in the overall picture.

MR. GRAUER: In the section of the submission relating to access to the United States market, I suppose you didn't imply that if there were free trade in the dress industry that the Canadian producers could do well under that system?

MR. SHERMAN: Under similar conditions?

MR. GRAUER: Yes.

MR. STEIN: Well, we are not suggesting free trade. We take a more realistic view than that.



But we say if at least our rate of duty, that is the rate of duty in the American market on the Canadian imports, would be at the same level or at a lower level, we think it should be, than what we impose upon the American products brought into this country, we might have a better chance, and we could probably gain a foothold in that market as well. We might be able to ship them some; Mr. Sherman has mentioned these woollen skirts. There might be woollen dresses, there might be other types of products which we could try to get into their market, but when you get a ruling that a garment is a carpet because there is a fringe embroidery put on it, of the same material, mind you, that is the type of thing that keeps us out, plus the high duty.

MR. GRAUER: I don't mean to say that free trade is a practical consideration but I wanted to find out whether you thought that under conditions of free trade you could compete with the Americans.

MR. STEIN: Well, we could not compete on a broad front, there is no question about it, but there are specialized things that we could do. It is a very volatile business and if one of our local sources of supply or perhaps a British source of supply were to manufacture a certain type of fabric which we could acquire, we could interest one or two substantial American concerns and it would mean a certain promotion, a certain amount of business for different individuals if they went after it.

MR. GRAUER: Thank you.

THE CHAIRMAN: I have just one question I





would like to ask. In your Schedule 1 you show that in the clothing industry in Quebec in 1950 there was employed 65,795 people. How would that rate in Quebec as a source of employment? Are there many industries that employ more than 65,000 people in this province?

MR. STEIN: First of all, I hope you are not making the error of identifying the clothing industry and the dress industry as being the same. They are not.

THE CHAIRMAN: No, no, I am not.

MR. STEIN: The dress industry, as you know, is a part of the clothing industry. We are dealing with the larger industry there. At page 2 we give you the statistics. The clothing industry ranks eighth, fourth and sixth among all industries in Canada on the basis of --

THE CHAIRMAN: Yes, I notice that, but I wondered whether you had any idea how the clothing industry would rate?

MR. STEIN: In Quebec?

THE CHAIRMAN: In Quebec, as an employer.

MR. STEIN: We are one of the very important industries. We are certainly not further down the list than tenth.

THE CHAIRMAN: Oh, no.

MR. STEIN: And we probably would be much further up the list than that. I don't remember offhand what the actual figure is, but I think we are somewhere around fifth.

MR. SHERMAN: No, we are third; logging and pulp and paper, if you consider them as separate industries, do exceed us.



MR. STEIN: We are about third in the province, I am told here. That is for the whole clothing industry.

THE CHAIRMAN: I was very much impressed with the figure and I wondered how you would rate. Well, thank you very much, gentlemen. This has been an interesting submission and we are most grateful to you. We will take a five-minute recess before asking Mr. Johnson of the Canadian International Paper Company to present his submission.

--- Recess.

--- Upon resuming.

THE CHAIRMAN: Shall we come to order? We are grateful to you, Mr. Johnson, for preparing this submission on behalf of your company, the Canadian International Paper Company, which we will mark Exhibit 121. If you will be kind enough to present it, we will be glad to hear it.

MR. JOHNSON: I want you to understand that this is not an industry approval. It may be quite appropriate that I follow Mr. Stein because some of our products are so intimately connected with the textile industry that their ups and downs are our ups and downs in the dissolving pulp field but not particularly the dress field.

THE CHAIRMAN: We have got to draw the line somewhere.

MR. JOHNSON: Of course, it is a great privilege, gentlemen, to come and appear before your Commission. My views have already been submitted in





writing to the Commission in a substantial black cover, so I am sure some of you have referred to them. I will therefore merely summarize the outlook, as I see it, for our forest resources and outline my impression of the tasks facing industry and government if, in the years ahead, Eastern Canada is to attain maximum benefit from its greatest resource -- the forests.

Having shared my whole life between the forests of this province and the industry to which they give birth, my knowledge is first hand. My comments therefore pertain, for the most part, to the Province of Quebec.

The importance of industry-government co-operation is one which I want to dwell on.

Quebec is above all else a forest province. Only eight per cent of its area south of the 52nd latitude is at present devoted to agricultural crop lands. The remainder, apart from wasteland, is forested.

I do not believe that these great resources can ever be adequately conserved and developed with less than the best combined efforts of industry and government. Fortunately, the history of this province provides ample evidence of fruitful cooperation between them. Obviously the great tasks and responsibilities inherent in our forest wealth cannot be performed without a vigorous and progressive industry. But equally important, in my opinion, is the active participation by government in those aspects of conservation and development for which government is ideally equipped.

While Quebec, in my judgment, manages its



Crown lands well, I believe that the participation of both provincial and federal government in this and other aspects of the forest industries should be re-examined in the light of our new concepts regarding the forest to see whether new policies are not now badly needed. In my judgment they are.

We must think of Trees as a Crop

The idea that trees are a crop is today gaining acceptance throughout the world. Trees are being grown like corn and wheat and oats. To my mind, this new point of view means more to the perpetuation of our forest resources than anything that has happened in the history of forestry.

The way to have ample forest resources is not to lock them up -- or to leave them alone to grow and decay untended, following Nature's slow cycles -- but to cultivate our forests as we would any other crop.

Undoubtedly we can greatly increase the cellulose production on all our forest acres which we can reach and manage -- in the interests of all the people of Canada.

It seems to me that government has not yet sufficiently accepted the fact that trees are a crop in the handling of its Crown lands. This is not altogether strange because the idea is relatively new. The truth is that very little time, effort and money is invested in the encouragement of this vital crop as compared with the normal and proper expenditures made annually for other far less important crops.

As an example, I say, in Quebec something





like \$875,000 is spent annually for the support of agricultural extension work but only \$75,000 for forest extension work -- and yet, if Quebec farmers received the necessary help in developing their woodlots from a quantitative and qualitative standpoint, I am sure they could more than double their contribution to the forest industries and greatly increase their farm income. When I say forest industries, I refer to pulp and paper, sawmills, plywood plants or what-have-you. This practical assistance from the government, in my mind, would not differ from the encouragement it now gives in other fields -- like agriculture and mining.

The demand for forest products will increase very substantially over the years ahead. Population and living standards are rising and wood consumption is directly related to both. Per capita use in the pulp and paper field, for example, has gone from less than 60 pounds per person per year in the United States at the turn of the century to considerably more than 400 pounds today. Vast world markets will develop as this trend extends to other populous countries of the world.

We in Eastern Canada will only retain our share of these future markets if we face up to some challenging facts, and accept the reality that any natural resource, such as pulpwood, which prices itself out of the market, ceases to be a resource. Canada's forests are facing very stiff competition -- increasingly from the northeastern United States but particularly from the United States South.

A few hard facts will illustrate the



competitive pressure from the South. The cost of the wood consumed per ton of newsprint produced in the South is only 60 per cent of our cost experience in Eastern Canada. This fact is the more significant when one considers that wood constitutes forty to forty-five per cent of the direct manufacturing cost of newsprint, for example. Southern newsprint producers moreover can already reach a market of 1,500,000 tons in the South at freight costs up to \$10 per ton below our own. Southern wood resources appear to be adequate to maintain these pressures upon us in the face of increasing demand.

I cite these sobering facts, not as an alarmist, but to point up the sizeable tasks facing industry and government together. Certainly industry is prepared to meet the challenge with new methods and techniques to lower costs. In turn, government must reassess its policies on such major items in our costs as power, stumpage, fire protection and freight.

There are several constructive ways in which government and industry can work together to increase wood supplies and reduce costs:

We must, I am firmly convinced, give priority in our planning for the future to improving the yield on our most productive and accessible lands, the farm woodlots and other small private land holdings. To encourage tree farming and stand improvement, educational work must be increased and the work of the provincial extension bureau must be expanded. The federal government should take immediate action to apply to farm woodlots the forestry knowledge gained in experimental forests.





We can greatly increase the fibre production per acre on private holdings and Crown lands. To do this forest research must be increased. My company has taken important initiative in this field, but the joint efforts of industry, the universities and government are essential. If we consistently think of our leased timberlands as giant forest farms and of trees as a crop -- as important as any other crop in the land -- only then will we give them the consideration and help they need.

We can reduce our huge losses from fire, both by preventive effort through increased education and by physical media such as roads. I strongly urge that the federal government increase its support to forest protection work. In the light of the large revenues from taxation of the industry and its employees, federal expenditures should be on a permanent budgeted basis, not varying widely from year to year, and on a scale commensurate with the resources at stake. The federal government should examine the possibility of providing the assistance of the Armed Services in fire fighting.

We can increase available wood supplies by opening up more remote areas. I believe that government has the same obligation to share in the cost of forest development that it has acknowledged in mining and agriculture. The best instrument for development of remote areas is roads. Industry should build these roads with the encouragement of government through appropriate concessions. In providing such concessions government would be making a substantially greater



contribution to forest protection, as we believe it should.

This province should provide security of tenure to those who lease Crown lands, thereby providing maximum incentive for the adoption of the best long-term cutting and cultivation policies. This can be achieved by the creation of forest reserves specifically designed to supply individual mills with adequate forest crops in perpetuity.

I am confident that the combined efforts of industry and government will see these problems surmounted. Canada has many blessings to count. We have huge land areas, ideally suited to the growth of cellulose, as we know them in Quebec. We have an experienced industrial team in this field, second to none in the world. As a first class producer we can look forward to the mounting world demand for cellulose with satisfaction. But let us temper this feeling of satisfaction with a sense of reality, knowing that, for all our natural blessings, we hold no monopoly in either resources or skills.

Now, gentlemen, that concludes the highlights of my submission to you. The rest of it is found in the covers which you have. I would be glad to try and answer any questions that you may think appropriate.

THE CHAIRMAN: Thank you, Mr. Johnson.

MR. LUSSIER: Mr. Johnson, I suppose that you are not afraid by my starting calling you Mr. Johnson. How would you suggest that the Dominion Government could participate in the forest conservation?

MR. JOHNSON: I have -- you said Federal





Government, did you not?

MR. LUSSIER: Yes, I know -- the federal, domini

MR. JOHNSON: All right. There are two ways I think I have suggested. One is forest protection. Secondly perhaps in distributing the knowledge already gained in the experimental forest to the farm woodlot owner. I think the farm woodlot has a great future in providing material for the forest industries. I think they have a responsibility in that field along with the -- sure, we too have got to work with the province, I know that.

MR. LUSSIER: Does this mean they should get an extension service?

MR. JOHNSON: I believe an extension service is absolutely necessary.

MR. STEWART: A federal extension service?

MR. LUSSIER: Yes.

MR. JOHNSON: Yes, I don't know how you are going to get -- you get federal participation in agriculture and you get it in mining, and there is no reason why you should not get it in forests, even though they belong to the province, as does the mining itself, the mines.

MR. STEWART: I think it is true by and large they have stayed out of extension as such in agriculture.

MR. JOHNSON: That might be. I know probably it has got to be by arrangement. I know that. I agree there is a conflict of opinion between some provinces and the federal government, but nothing is insurmountable.

MR. LUSSIER: They have not got any extension service in any province, I don't think.



MR. JOHNSON: That may be, but the establishment or extension of service, education service, is certainly something they can participate in. Every member of parliament has the use of the franking system, and he makes use of it to what extent he wants.

MR. LUSSIER: You said, if I understood well, that the government has not accepted yet the idea that a tree is a crop; did you say that?

MR. JOHNSON: I said that. I think it is true.

MR. LUSSIER: Could you tell me if the industry has accepted that?

MR. JOHNSON: Well, it is new. I agree with that. I don't quarrel with that statement.

MR. LUSSIER: Nobody has.

MR. JOHNSON: No, that is right. No one has sufficiently, I agree. That is why I make a plea for the forests and the trees, and I am talking for the forests and the trees every time I get a chance. Trees are a crop. I mean my experience is very definitely along that line, and my own woodlot operations.

MR. LUSSIER: Yesterday we had the brief from the C.P.P.A., Mr. Fowler came here with a very interesting brief, and he had been analysing the situation of the southern forests and I gathered by that brief that he seems fairly optimistic about the possibility of the Canadian forests competing with the southern production. Is that what you think?

MR. JOHNSON: I still think there is room, but I still think we still have to point out these facts.





Now, I mentioned here that the wood cost of a ton of paper is not more than 60 per cent in the south as against Canada. That is a very important competitive point.

MR. LUSSIER: For the moment, yes.

MR. JOHNSON: Now, wait a minute. There is another important point, they have succeeded in making steam power as cheap as our hydro electric power. Sure, it is true the use of local oil, gas and local coal, but that is a terrific improvement in the development and building of steam turbines for power development. Now, their lands you will know in the south are accessible on town, county, state, federal roads. We have no forest problem, I mean no road problem, in the south, the roads are all built. You can drive off the road into the forest. Here we have a much different problem. We have to spend millions of dollars in the industry every year to do our logging. Now, sure, the only hope we have is the expanding markets in the world. They are going to expand, more people are going to use pulp and paper and of course we are going to use our know-how and our energy to stay in a competitive field. That is why I point some of these things out. We cannot just be satisfied to take our chance.

MR. LUSSIER: But they are selling their products just at the same price as you are selling yours, aren't they?

MR. JOHNSON: Yes.

MR. LUSSIER: Even if they have got those advantages that you were mentioning?

MR. JOHNSON: Yes, that is the threat, --



that is the threat. Ten dollars -- wait a minute -- \$10, as I mentioned, on freight, 40 per cent on wood, and they can reach a million and a half tons in that southern area, and the south is growing, growing terrifically. A one and a half million ton market now takes, what is it, Birmingham or Atlanta as the centre. We cannot compete with them on that basis.

MR. LUSSIER: No, but the price of the paper they are selling is the same as you do?

MR. JOHNSON: That is right.

MR. LUSSIER: There is no difference in the price?

MR. JOHNSON: That is right.

MR. LUSSIER: So this is not competing with you. They are not competing with you when they are selling at the same price?

MR. JOHNSON: Oh, no, not yet. They are just getting started. You see, there are only four hundred thousand tons made in the south. The first plant was only started in 1940 making newsprint now. We are third -- let us see -- Bowater was fifth and sixth machines and seventh, and we are putting one in to be ready in September, it is about the seventh or eighth machine, you see. There will be another four or five hundred thousand tons going in in the next eighteen months. There is no competition in price as long as there is --

MR. LUSSIER: Newsprint.

MR. JOHNSON: As long as there is plenty of market to get rid of it. But you cannot imagine Canadian newsprint going into Birmingham, as an example, with a





mill forty miles away with a \$10 or \$15 freight rate advantage, and, I don't know, a \$15 advantage on wood.

MR. LUSSIER: But is it an interesting market for you to get, south markets for your newsprint?

MR. JOHNSON: For Canada?

MR. LUSSIER: Yes.

MR. JOHNSON: We have always had it. Yes, the ports are good, New Orleans, Miami, Jacksonville, St. Petersburg, and so forth. Oh, yes, the Canadians have always had that market. The competition there has been foreign tonnage, you see, Scandinavian.

MR. LUSSIER: And you were mentioning forest researches. Have you got an idea what amount of money per year could be spent on forest research? I mean the forest researches, not the production -- but the forest researches in the woods?

MR. JOHNSON: Forest research?

MR. LUSSIER: Yes.

MR. JOHNSON: It is a terrific subject. I don't know how to put together a figure on that. I know we spend certainly not less than \$100,000 a year ourselves on two localities, two stations.

MR. LUSSIER: Did you start those researches long ago?

MR. JOHNSON: Well, I think you are familiar with the one at Causapscaal yourself. You participated in it. The one in Harrington was opened in 1952. They are new, but they are interesting, I think they have turned out to point the way. Of course, I think perhaps it would be well if I took a moment to try to impress on the



other members of the Commission the real reason why we have Harrington forest station.

Basically it is an experimental station. It is also a demonstration centre. We have two forest engineers whose duty it is to go around the farming country and advise the farmers how they should cut their farm woodlots. That is all their purpose. Now, I don't care what they do with the wood, if they want to sell the pulpwood to us, fine, we will buy it. But if they have some good trees and want to sell it to the local merchant or ship it somebody in Lachute or somewhere, that is all right, too. Multi-purpose farm woodlots is what we are advocating and it has been a great satisfaction to us to hear frequently, "Well, yes, I will sell my wood off my farm woodlot, but I want it cut like they cut it at Harrington on a practical futuristic basis." I think it is gaining some headway in the Rouge River Valley, and I think you will find reference in my brief where we put in nearly \$2,000,000 a year into a very localized area there now, and it is all based on this type of operating farm woodlots, and ninety per cent of the wood comes from farm woodlots.

MR. GRAUER: Does the provincial forestry service also advise on the farm woodlots?

MR. JOHNSON: Do they?

MR. GRAUER: Yes.

MR. JOHNSON: To the extent that they have facilities. I mean if they have a very small appropriation for that and very few men, very few men with either experience or ability to do the job. To me it is as much agriculture as it is anything else.





MR. GRAUER: That is chiefly left to the private companies, is it?

MR. JOHNSON: You can't leave it to the private companies. What is anybody's business is nobody's business. It is an educational programme for the farmer, I think, to teach him how to grow trees, just like you teach him to grow good oats or hay or pigs or cows.

MR. LUSSIER: But this fire fighting now, you suggested the armed forces could be used once in a while for that purpose. Could you explain how you would have the armed forces?

MR. JOHNSON: I think they ought to be trained first, whether they are trained as civilians for future civilian use or just strictly while they are in the army. But while they are in the army they are under strict discipline and they could be readily trained what to do in case of forest fire, and it could be readily handled in the areas where the camps are accessible to those forests. They have men available at a moment's notice, which is important, and in the future if we get into any -- I mean, I am surprised we didn't get more sabotage during the last war, and that is one way certainly that the army could be well trained in preventing sabotage from forest fires, which is a terrific threat, I think, in any future war.

MR. LUSSIER: Do you mean that the training for forest protection could be done during the --

MR. JOHNSON: During their training.

MR. LUSSIER: During their training.

MR. JOHNSON: Certainly.



MR. LUSSIER: At the same time?

MR. JOHNSON: Certainly. There must be a time -- I mean somebody will say "They have got all their time spent in training for soldiers." Well, there must be a time when they learn to be soldiers and could then learn to be useful as a citizen.

MR. LUSSIER: About roads, now, you suggest that some advantages should be given for the construction of roads by the concessionaire, for instance. Do you mean that those advantages should come from both governments, federal and provincial, or from just one? And what would be those advantages?

MR. JOHNSON: It is possible, perhaps it depends more on the provincial-federal relations than anything else.

MR. LUSSIER: For instance, supposing the income tax, which depends on the federal -- do you think something might be done?

MR. JOHNSON: Well, that is where the money goes, isn't it? I mean they are the first, or they take a large slice out of every dollar that the industry makes, 42 or x per cent, and you can't go on forever taking blood out of a turnip, I would not think.

MR. LUSSIER: And what would be the concession you would like to have from the provincial government?

MR. JOHNSON: Well, not necessarily in dollars or in money. It probably would have to be in the form of lower stumpages and lower groundrentals. It turns into money, it can't do otherwise. But it has got to be a partnership. You are familiar enough with areas of





the North Shore and so forth that some day should be utilized. Now, you cannot expect any individual industry to go off down there and handle it by themselves unless they are pretty strong.

MR. LUSSIER: Then, you have got some advantages, do you think you could keep those roads private?

MR. JOHNSON: Well, you have a great problem with roads. Certainly, I would like to see them protected well enough so that people don't abuse them, but I have no objection to people using roads providing they are used for the good of the people and not for burning up forests or anything like that. It certainly opens up more areas for fish and game, and I realize it is a problem of protection. It becomes a greater hazard. It becomes a greater expense. And the more you keep roads open the greater the forest protection cost becomes to an industry, if they are solely responsible. There are millions of people, it seems to me, like to go in the forest, and I don't think it is the responsibility of industry to develop roads for them to go into these forests, but it is a very difficult problem to keep them out of the forest once you build a road. There must be some come and go on it of some kind.

MR. LUSSIER: Regarding forest tenure, now we heard a lot about tenure. You suggest that forest reserves should be established to prevent abuses. Is it not true that you have got a lot of forest reserves for that purpose in the province of Quebec, for instance?

MR. JOHNSON: Well, I think there are too few.

MR. LUSSIER: You have a lot, haven't you?



MR. JOHNSON: I would not say so. I would not say we have enough.

MR. LUSSIER: What is the objection?

MR. JOHNSON: What is it?

MR. LUSSIER: What is the objection against that?

MR. JOHNSON: The objection against it? There is no objection against it. We have to have forest reserves.

MR. LUSSIER: I mean on the part of the government?

MR. JOHNSON: I don't know. I don't know that I can answer that one. I cannot see any, myself.

MR. LUSSIER: Did you ask for some?

MR. JOHNSON: Yes, oh, yes.

MR. LUSSIER: And you had no answer?

MR. JOHNSON: We have been unsuccessful. Let us say we have been unsuccessful.

MR. LUSSIER: But they didn't tell you what for?

MR. JOHNSON: I think that is right, they didn't tell us what for.

THE CHAIRMAN: You are asking these questions, not me. That is all right, go ahead.

MR. LUSSIER: That is all right. Thank you very much.

MR. GUSHUE: Mr. Johnson, you referred to the need for combined effort on the part of government and industry in improving and keeping your forest crops in perpetuity, and so on, as an asset. Are you thinking there of a planned combined effort?

MR. JOHNSON: A planned? Very definitely.





MR. GUSHUE: A planned combination?

MR. JOHNSON: Very definitely. I think the more governments are in it the better they know what is going on and the better they know what industries think, and vice versa. And whoever has the best part of the knowledge will enforce it.

Now, there are two very outstanding examples of government participation by, I believe, Forest Protection Limited in New Brunswick, which is a Crown company for the purpose of combatting the budworm. Now, there are three financial divisions, I think, the industry, the provincial government and the federal government all participate to handle that spraying. It is left in our hands to do this organizing and carry out, so long, of course, as we do it properly, and we are now in our fifth year, I think, on that basis in New Brunswick. And I think we are in our third year in Quebec on a provincial-industry basis, and I think it leads to good relations. Certainly it shows interest on the part of the people who own the business, and certainly the federal government is interested in every dollar we make to the extent of 42 cents or maybe more, 50 cents.

MR. GUSHUE: It will be necessary, then, for the parties to get together in that plan, will it not?

MR. JOHNSON: That is right.

MR. GUSHUE: Have you any suggestions there or are you merely stating the principle? Have you any suggestions as to how that could be brought about?

MR. JOHNSON: I think we have two very



good examples right now. I think we have an excellent working stand with John Lesage in the Department of Northern Affairs and with the Province of New Brunswick and New Brunswick industry in the budworm spraying project. That is one very outstanding one. And then we have another between industry, under the Quebec Forest Industry Association, with the Quebec government.

MR. GUSHUE: You would like to have an extension of that same principle?

MR. JOHNSON: Very definitely, into other forms, because it leads to better knowledge among the individuals involved. And after all, we are really the working force where the government finances.

MR. GRAUER: On the question of fire protection, in British Columbia there has been quite a trend, you know, towards patch logging instead of clear cutting. I think that trend was for reasons other than fire protection primarily, but I understand that the patch logging system does assist materially against the spread of forest fires. Is there any likelihood here of a trend in the same direction as in British Columbia away from the clear cutting?

MR. JOHNSON: I think you will find that -- are you asking a question for British Columbia or for Quebec?

MR. GRAUER: The trend here is what I am interested in.

MR. JOHNSON: Applicable to Quebec. Yes, there is patch logging, strip logging being done in Quebec to undertake to learn the advantages of it. I





think it is a practical method. Of course, you don't have to go back very far in British Columbia to remember the days when they cut and burned everything.

MR. GRAUER: That is right.

MR. JOHNSON: Left on the ground more per acre than we ever saw in this country.

MR. GRAUER: Do you think there may be some trend towards patch logging here, then?

MR. JOHNSON: Oh, yes, there is very definitely. It is being tried out, I know, from personal experience.

MR. GRAUER: I was quite struck, on page 16, that your company maintains 4,600 miles of roads through its forest lands. That was all paid for by the company, was it?

MR. JOHNSON: Well, at least half of it. The other half may have come out of taxes, I mean, that we didn't have to pay -- yes, it is all our working capital, every bit of it.

MR. GRAUER: Would there be any government roads in that same area?

MR. JOHNSON: No.

MR. GRAUER: Through your forest lands?

MR. JOHNSON: No, they would tie on to some municipality roads or probably -- and seldom to any highways, what you call national highways or provincial highways.

MR. GRAUER: There is a statement on page 32, I wonder if you would elaborate on a bit, point 5:

"It is obviously possible to  
increase greatly the fibre production



per acre on private holdings and Crown lands."

Would you mind telling me just the main ways that you anticipate that increase to take place?

MR. JOHNSON: Well, I think that is a question of handling, of operating, as much as anything. Now, you are familiar, perhaps, enough with our eastern wood lots. As an example, we have done selective logging on these eastern woodlots for twenty years. In other words, we have gone in and selected the good tree and cut it and we have left the poor stuff. Now we have got to go back and we have got to clean out all the crooked material, the wolf trees, and open up the forest stands and let it get a chance to grow.

Now, mind you, we are speaking of a latitude below which we can really grow wood, and there is no doubt in my mind but what we can grow sixty and seventy-five cubic feet per acre under ideal conditions. The average, of course, will never reach that, but it is opening up, and the handling of forests perhaps as it should be; I don't want to go into the technique of that.

MR. GRAUER: It is chiefly allowing good new stuff to come along, is it?

MR. JOHNSON: That is right, leaving the straight stand new young growth and cleaning out the old wolf trees and aged classes have a great bearing on it. In some of our northern Quebec areas, of course, we have even aged stands. They obviously have to be cut like a crop of hay. Any trees that are left would be wind blown and lost. There are various practices that have





to be used in the province of Quebec or Ontario or any of the eastern part of Canada.

MR. GRAUER: . On the woodlots, 's there something approaching a sustained yield basis being achieved?

MR. JOHNSON: Well, that is what should be achieved. It could be achieved and should be achieved on even aged stands is the ideal situation -- keep the cows out of the woodlot, it is not pasture, grow wood in it and use it to produce cellulose, varying kinds of trees, obviously, whether they are yellow birch or veneer or saw logs or white pine for lumber; it is all wood and it is all money for the grower. That is the aim that I am suggesting.

MR. STEWART: Just one question. I think it is correct to say that probably the biggest factor in adapting plants and animals to human purposes has been in hybridization; I know that you have or there is an interest in that, too, but is that a very long run proposition?

MR. JOHNSON: Hybridization?

MR. STEWART: Yes, developing our own trees?

MR. JOHNSON: To supplant the forest growing areas, yes, it would be a long term problem. I don't know how many hybrids we might have at Harrington, but I am sure it is what? -- in the hundreds -- several hundreds, anyway. Some of them grow as tall as this room in one year, but you may only get the same amount of cellulose out of that fifteen-foot poplar, as you call it, as you might out of a hard rock maple because the firm cellulose in the maple tree is pretty sound and this other one has got a lot of water mixed with it. But the production of cellulose, of course, is what we want.



THE CHAIRMAN: Mr. Johnson, on page 9 of your submission you say that taking all costs into account, you would estimate that the total manufacturing cost of newsprint in the south is about 20 per cent lower than in Canada. Could you tell us anything about the comparative costs of producing newsprint in Quebec, Ontario and British Columbia? I mean, are they all about the same or is it a lot cheaper in British Columbia, or what is the situation?

MR. JOHNSON: I don't really know how to answer that, adequately. I think there are varying factors on the west coast. There is a much lower wood cost. The cost to market is probably much higher, and it depends on what you mean by the market. Certainly the market for British Columbia might be Denver. Well, it is a lot more expensive to ship to Denver than it is to our average market, we would say, New York, even though the wood may have been \$10 or \$15 a ton cheaper. In a great many cases they hardly make any charge for the wood that they use in recovery from the lumber operations. Of course, we are terribly wasteful in lumbering operations and always have been.

THE CHAIRMAN: Well, put it another way: would you expect a relatively greater expansion over the next ten or fifteen years of the industry in Quebec or in British Columbia?

MR. JOHNSON: Why didn't you add one more? And if you say south, I will say south.

THE CHAIRMAN: Yes, all right, then, I will take that, too.

MR. JOHNSON: If you make the three, I will





say the increase is going to be in the south and the U. S. northeast; that is my belief, because they have the competitive facilities and the markets.

THE CHAIRMAN: Which you don't get into in the various areas in Canada?

MR. JOHNSON: No. Where are you going to ship wood? I mean you have got to wait until the market develops in either case. The market is the prime mover of money. If there is a market money goes in and develops it.

THE CHAIRMAN: Well, may I ask you this question, then: Mr. Fowler in his estimates of future expansion over a twenty-five year period dealt with the probable development of the industry in the south and in the northeast. He said that despite that, and taking other things into account, he would expect the production of newsprint in Canada to double in twenty-five years.

MR. JOHNSON: I think that is entirely within the realm of possibility.

THE CHAIRMAN: Well, I should have asked him whether that doubling was liable to occur in British Columbia or Quebec or Ontario, and in what proportion. As he is not here, I am asking you.

MR. JOHNSON: Yes, but you have got to consider that as two different worlds of manufacturing, there is an eastern and western and you cannot ship paper from British Columbia to Houston, Texas, as cheaply as you can from Grand Mere or Three Rivers. What is your market? -- when you tell me what is your market then you can get the answer to your question.

THE CHAIRMAN: Well, in his calculations



he was counting on --

MR. JOHNSON: World markets.

THE CHAIRMAN: World markets.

MR. JOHNSON: Generally speaking, yes, the expansion is bound to be terrific. But you don't expect much of an increase in the market in Chile, and that is a natural for British Columbia.

THE CHAIRMAN: You have got a sneaking bet on Quebec, have you? I just want to keep Mr. Grauer in check.

MR. JOHNSON: Well, I think Eastern Canada has to be pretty much treated as one because the big market is Chicago, New York and those states in that area.

THE CHAIRMAN: Yes.

MR. JOHNSON: There is a terrific market there and growing to beat the dickens.

THE CHAIRMAN: I thought we might get an opinion when we talked to Mr. Ambridge next week, and I would just like to check him up by asking you a question or two first.

MR. JOHNSON: I see. You are very thoughtful.

THE CHAIRMAN: I don't think you have given me anything I can use against him.

MR. JOHNSON: You are very thoughtful.

THE CHAIRMAN: On page 27 you have two sentences: you believe that technology will have a tendency to change the seasonal employment situation. It will help the trend towards year-round employment and trained workers. Do you think that trend is going to





speed up?

MR. JOHNSON: Yes, I am sure it is going to speed up.

THE CHAIRMAN: Will there be a substantial number -- will it happen soon, that is what I mean?

MR. JOHNSON: It is happening.

THE CHAIRMAN: I see.

MR. JOHNSON: It has already happened and it is happening. I mean you only have to go back before the war and you go in a camp and you sit down and hear Joe and his friends speaking today about what the old horse did today on the whiffle-tree, and there is hardly a whiffle-tree and horse in the camp these days, it is farm tractor or truck. I mean the mechanization is really taking hold in the woods. We don't just know how to adapt quickly enough those things that are being used elsewhere, and adaptation is one of our great problems. We need inventors in the woods.

THE CHAIRMAN: The trouble is they get promoted to be president and they can't spend so much time in the woods. Well, Mr. Johnson, we are very grateful to you and to your company, not only for this extremely helpful submission, but I should like to record our debt to you for allowing Dr. Wilson to help the staff of the Commission on the studies that are under way. It is a great contribution, and we are very grateful.

MR. JOHNSON: I appreciate it very much. Now, look, there is one thing that I am surprised that none of you have mentioned. Now, that (Appendix II) to me is a blot on the landscape of Eastern Canada. I mean it has been published, that is an old one, that is



eight years old. That is not new, nothing new about that. I mean it is typical of the way people are thinking, you see.

THE CHAIRMAN: Who prepared that map, do you know?

MR. JOHNSON: I imagine it was a fellow by the name of Lussier. Now, I want to tell you something else about tree farms, too. You read in the report by Commissioner Lussier that somewhere back before the war there were about three million acres of land given out in Eastern Canada for farms and about three million acres went back, were abandoned. So the way we waste our potential lands is really something in this country. And I mean, you know, the west coast is no better.

MR. GRAUER: No worse.

MR. JOHNSON: You have learned something in the last few years because of competition, I agree with that. Well, gentlemen, thank you very much for listening to me.

THE CHAIRMAN: I would really like to start asking you a few questions about salmon fishing, but perhaps this is not the place.

MR. JOHNSON: No, when you get me talking on salmon fishing I really go to town.

THE CHAIRMAN: Thank you very much. We will meet on Monday in Toronto, at ten o'clock, in the Parliament Buildings, in the Legislative Assembly Room.

(At 4.35 p.m. the Commission adjourned  
until 10.00 a.m., January 23rd, at  
Toronto, Ontario)

(Page 4500 follows)





ROYAL COMMISSION

ON

CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

TORONTO, ONT.

JANUARY 23, 1956

VOLUME 22



Toronto, Ontario

The sitting of the commission in Toronto was opened in the Legislative Chamber, Parliament Buildings, at 10:00 a.m. Monday, January 23rd, 1956.

PRESENT: Mr. W. L. Gordon, Chairman;  
Mr. Andrew Stewart;  
Mr. Raymond Gushue;  
Mr. A. E. Grauer;

APPEARANCES: F. G. Gardiner, Q.C.  
Chairman of the Council,  
The Municipality of Metropolitan  
Toronto.  
  
Nathan Phillips, Q.C.  
Mayor of the City of Toronto.  
  
Dr. Solomon Barkin,  
Textile Workers Union of America.  
  
Mr. J. R. White,  
President, Imperial Oil Limited,  
Toronto.

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THE CHAIRMAN: Well gentlemen, if we can come to order. I would first of all like to say how grateful we are to the Prime Minister of Ontario for kindly suggesting that we should use this Chamber for the hearings. I would say that our proceedings here and the discussions will probably proceed in a somewhat lower





key than some of the debates that take place here but we will do the best we can just the same. One of the Members of this Commission is particularly pleased to be back in Toronto. I think it is fair to say that we are all pleased to be here but my colleagues will probably forgive me if I say it is rather pleasant for me to be back home for a couple of weeks. I expect this is completely out of order but I have been looking for an opportunity as one of the citizens of this City for some time to say how grateful I am, and I think all the citizens of Toronto are, to Mr. Gardiner for the tremendous job he has been doing in getting this Metropolitan Committee or Council formed. I wish we could find a better name for it but it certainly has made a tremendous difference to us already in Toronto and it is going to make a terrific difference to Toronto. We are very pleased to start the proceedings in Ontario with a submission from the Metropolitan Council. So Mr. Gardiner, if you will start off at this time we will be looking forward to hearing your submission.

MR. GARDINER - Well Mr. Chairman and Gentlemen I suppose it would be presumptuous on my part if I purported to welcome you to the Province of Ontario as I have no doubt that the Province of



Ontario will be presenting a brief and some recommendations to you and therefore it is more appropriate that the Premier of the Province of Ontario should welcome you to this Province upon the occasion of your first Sittings in the Province than that I should presume to do it. By the same token, the Mayor of the City of Toronto just having walked into the Chamber, I certainly would not presume under those circumstances to welcome you to the City of Toronto but I have got a right to welcome you to the Municipality of Metropolitan Toronto which I do now.

Those of us who have been associated with the preparation of this brief or submission, which I have the honour to present to, you fully appreciate the magnitude of the task which you have undertaken. Perhaps we didn't fully appreciate the magnitude of your task until we attempted our task which was to attempt to tell you what we considered is the economic future of the metropolitan area for the next twenty-five years, in consideration of your telling us, in return, what you consider to be the economic prospects of the Dominion of Canada for a similar period. I will start off by saying to you Sir, that the Municipality of Metropolitan Toronto





appreciates the invitation of the Royal Commission on Canada's Economic Prospects to present a statement or a submission to it, on the prospects of the Toronto Metropolitan Area.

As one of the fastest growing metropolitan areas on this continent which in fact it is, exceeded in yearly expenditures only by Los Angeles and Houston, Texas, with a backlog of metropolitan services which are urgently required and an industrial, commercial and residential expansion which will continuously demand a further extension of those services, those responsible for the administration of Metropolitan Toronto are faced with the necessity of establishing a reasonably long-term programme of capital works, consistent with the maintenance of a satisfactory financial position and for that reason this Municipality, naturally the Municipality of Metropolitan Toronto, has a particular interest in the findings which will be forthcoming from your Commission, as they will be a guide to the capital spending which the Metropolitan Corporation should undertake.

Now at this stage Mr. Chairman I desire to introduce to you those who have been associated with the preparation of this brief and the brief



itself indicates that it has been prepared by the Metropolitan Toronto Planning Board in conjunction with the heads of all of the Departments in the Metropolitan Corporation but in conjunction particularly with two gentlemen, Mr. James H. Maher, who sits on my right and is a prominent manufacturer and merchant in our City. I would like to take this opportunity of saying that he exemplifies one of Canada's most valuable economic assets which are the hundreds and literally thousands of men of experience and ability who over the years make their services available on a voluntary basis for the public welfare. Mr. Maher has been Chairman of the City of Toronto Planning Board since 1942. He was Chairman of the first Toronto and Suburban Planning Board and its successor the Toronto and York Planning Board and has been Chairman of the Metropolitan Toronto Planning Board since its inception.

Mr. Murray V. Jones on my left, is an honour graduate of the University of New Brunswick. He did post-graduate work at McGill University on a Central Mortgage and Housing fellowship on community planning. After being associated with the Toronto Township Planning Board he joined the Metropolitan Toronto Planning Board in 1954 and became its Director in 1955.





Mr. Hans Blumenfeld has had twenty-five years of experience in city planning in Europe and the United States. As a part of that time was Chief of the Planning Analysis Division of the City of Philadelphia Planning Commission. He joined the staff of the Metropolitan Toronto Planning Board in 1955 and is now its Assistant Planning Director.

Mr. Eli Comay graduated from Harvard University with a Master's Degree in city planning and after five years of experience in various American planning agencies during part of which time he occupied the position of Chief Planning Analyst of the Chicago Land Clearance Commission. He joined the staff of the Metropolitan Planning Board in 1955 and is now Head of its Land Use Planning Division.

Mr. D. Patterson, on my left, graduated from the University of Toronto in 1952 with a Master's Degree in economics. Later he completed a University of Toronto graduate course in town and regional planning and became associated with the Township of Toronto Planning Board and Industrial Commission and in 1954 joined the staff of the Metropolitan Toronto Planning Board and is now Head of the Research Division of the Land Use Planning Division.



Those gentlemen are the ones primarily responsible for the preparation of the brief which I have the honour to present to you. In addition, the staff of the Metropolitan Planning Board, Mr. G. A. Lascelles, the Commissioner of Finance and Mr. A. J. B. Gray, the Assessment Commissioner of the Metropolitan Toronto Corporation took special parts in the preparation of the submission.

Now naturally I am not going to submerge you with a lot of detail. The procedure which will be followed in the presentation of this statement will be to read Chapter I, which I am now reading, Chapter II in its entirety, and the Summary of Conclusions appearing at the beginning of each of the following chapters leaving for the consideration of the Commission the factual information, opinions and projections appearing in each chapter upon which such conclusions are based. The estimates which are presented here represent our best evaluation of future conditions in the area. Since the trends which may be anticipated in the area are so obviously dependent on the course of events in other spheres over which we can exercise little control, it should be clearly understood that these projections should be taken more as an indication of the probable dimensions of future conditions than as an exact measure





of these conditions. Chapter II I will perhaps read in its entirety and it has to do with the establishment of the Municipality of Metropolitan Toronto and what the development of Metropolitan Toronto has been.

The development of Metropolitan Toronto has been essentially the same as that which has occurred in most metropolitan cities on the North American continent. In 1793 Governor Simcoe divided Upper Canada into nineteen counties. One of these was the County of York. The first local municipality in the County of York was the Township of York which was established in the same year of 1793. It still remains in much modified and reduced geographical area as one of the constituent municipalities of Metropolitan Toronto. The Town of York was incorporated in 1817 and became the City of Toronto in 1834 with a population of nine thousand two hundred and fifty-four. As the City grew and prospered during the balance of the Nineteenth Century much of the surrounding territory became urbanized and was periodically annexed to the City. By 1900 the City had a population of about two hundred thousand. By 1908 after the annexation of the Town of East Toronto the population increased to three hundred and seven thousand. In 1909, after the annexation of the Town



of West Toronto, the population increased to three hundred and twenty-five thousand, and by 1912 after the annexation of the Town of North Toronto, the population assumed the substantial total of four hundred and seventeen thousand.

During the forty years following 1912, no territory of any significance was annexed to the City but by 1930 there was a clearly defined metropolitan area composed of one city, three villages, four towns and five urban townships. The boundaries between the thirteen municipalities were largely artificial. The whole area constituted one economic and social unit.

The development of the metropolitan area was successively impeded by the First Great War, the depression years and the Second Great War, but by 1945 although everyone expected a return to normalcy, or what in those days we thought constituted normalcy, the area entered a period of tremendous industrial, commercial and residential expansion which has continued without abatement up to the present time.

Although persistent and consistent attempts were made to provide the area with the metropolitan services which were urgently needed upon a co-operative basis between the thirteen municipalities, no success whatever attended such efforts.





In 1951 the City of Toronto made an application to the Ontario Municipal Board for an Order amalgamating the thirteen municipalities. It might be a coincidence that this is the second time of the appearance in the Legislative Chamber since the application of the City of Toronto of the thirteen constituted municipalities and today I am able to report some progress with respect to the development of the area as a result of the metropolitan form of government which was established as a result of this hearing.

Following the issuance of the report of the Ontario Municipal Board which recommended against complete amalgamation but did recommend a federation of the constituent municipalities for the provision of metropolitan services, the Municipality of Metropolitan Toronto was incorporated on April 2nd, 1953 under what has become commonly known as "Bill 80" but what is actually Chapter 73 of the Statutes of Ontario 1953, being an Act to provide for the federation of the municipalities in the Toronto Metropolitan Area and for certain financial and other purposes. The first meeting of that Council took place in the Legislative Chamber of the Province of Ontario on April 15th, 1953, and during the succeeding eight months of that year our necessary municipal departments were organized, departmental heads and officials



were engaged, and the Council took such preparatory action as was necessary to enable it to effectively exercise its jurisdiction January 1st, 1954, so that as of today we have now had two years of experience in the operation of a Municipality of Metropolitan Toronto, that two years having concluded on the 31st December, 1955.

This Metropolitan Area comprises two hundred and forty square miles, it includes thirteen individual municipalities and has an aggregate population of now in excess of one million, three hundred thousand persons.

The Metropolitan Corporation is responsible for the planning, financing, construction, administration and operation of what in this Brief are called metropolitan services. They include, together with other collateral and incidental services, schools, sewage disposal, water supply, major roads, transportation, regional parks and certain social welfare service such as aged persons' homes, the financing of the hospitalization of indigent patients, and the financing of children's aid societies. It is to be noted that during 1955 a special committee of the Council recommended that legislation be passed to provide for the establishment of a metropolitan





police force to become operative on the 1st of January 1957 and that it is likely that a similar committee will recommend the establishment of fire protection services on a metropolitan basis to become effective sometime within the next five years.

In order that it may discharge its responsibilities, the Metropolitan Corporation has been provided with two essential tools - a unified area-wide assessment and an area-wide planning of land use and development under the terms of the Province of Ontario Planning Legislation. In the case of the latter powers, the jurisdiction of the Metropolitan Planning Board extends beyond the boundaries of the Metropolitan Area and includes the five townships and eight urban municipalities which lie on the fringe of the Area. In order to demonstrate that more clearly, Gentlemen, you have placed on your table what is known as the Metropolitan Brochure and on page 7 of which you will see delineated the boundaries of the Metropolitan Area, as such. That indicates thirteen municipalities which comprise the Metropolitan Area and over which the Metropolitan Council has metropolitan services administration jurisdiction. On page 19 you will see the delineation of the boundaries of the Metropolitan Planning



Area which takes in around the perimeter of the Metropolitan Area in the adjoining townships completely around that perimeter and gives to the Metropolitan Planning Board what we call regional control over the development which takes place in the fringe area - if we may call it such - which is to prevent, if possible, the fringe developments which previously occurred around the City of Toronto and in many respects were involved, and in some respects gave rise, to the necessity for the establishment of the Metropolitan Corporation.

While the responsibility for metropolitan services rests upon the Metropolitan Council and the Metropolitan School Board, on which all of the area's municipalities are represented, the actual manner in which each of the services is provided varies greatly. In the case of water and sewers the Metropolitan Corporation is responsible for the construction and operation of both the pumping and treatment plants and the trunk mains, while the local distribution and collection systems continue to be built and operated by the local municipalities. Major streets having an arterial significance are designated metropolitan roads and come within the Corporation's responsibility. The members of the Toronto Transit Commission are





appointed by the Metropolitan Council and while they are charged directly with the direction, administration and operation of the transit system, nevertheless the Metropolitan Council is responsible for the issuance of such debentures as are required for its capital financing and thereby indirectly becomes responsible for the activities - for the Toronto Transit Commission capital financing, and therefore indirectly the Metropolitan Council becomes responsible for the activities of the Toronto Transit Commission, because in all respects the Metropolitan Corporation is the banker for the Toronto Transit Commission in respect of its capital obligations. School administration and education in its academic aspects remains the responsibility of the local school boards, but the Metropolitan School Board must approve all capital expenditures and also prepare the budget for the current costs of operation which it presents to the Metropolitan Council. The Metropolitan School Board also distributes the maintenance grants provided for current financing. While strictly local municipal services such as the local water distribution system, the local sewage collection system and local improvements continue to be financed from local funds, all debentures for such purposes require Metropolitan approval and are actually issued as



obligations of the Metropolitan Corporation a procedure which gave rise to the necessity for the establishment of the Metropolitan Corporation and the whole of the thirteen municipalities and which has resulted in substantial savings in financing cost and includes the Toronto Transit Commission and includes the financial foundation of the thirteen municipalities. As a result of their capital works at a much lesser rate of interest than what was the case in respect of some of the thirteen municipalities - not the City of Toronto obviously, because the City of Toronto's financial position was always as good as the Metropolitan Corporation's - but particularly in respect of the larger expanding suburban residential areas like Scarborough, North York and Etobicoke -- they found themselves in the position of having to pay very high rates of interest in order to get funds which they needed for capital expenditure. As a matter of fact those rates in one of those municipalities got as high as five and one-quarter, five and one-half and even five and three-quarters while the Metropolitan debentures so far have been issued at three point five and three point eight.

Two years of Metropolitan administration have clearly indicated that this new form of municipal





government can solve the problems resulting from metropolitan growth. Already substantial progress has been made in providing the tremendous backlog of physical facilities and services which our mushrooming suburban development requires and which can only be provided upon an area-wide basis. A solid foundation is being laid for the substantial growth which our studies indicate will take place during the next twenty-five years. Above all, the confidence which investors are acquiring in the Metropolitan Corporation's ability to perform its functions is contributing greatly toward an assurance that such development will take place and that it will take place in an orderly and well-planned manner.

Before discussing the course which we feel development will take in this area and the facilities and services which such development will require, I should like to give a brief picture of the area's past development and the economy upon which its future rests.

While the City of Toronto and its surrounding areas have been growing steadily for many years, it has been only since 1948 or 1949 that the remarkable expansion which now characterizes the area has really been in evidence. From 1941 to 1948 the area's total population grew at an annual rate of slightly



more than one percent; since that date, the annual rate of population increase has been approximately four per cent. From a total of less than one million persons in 1948, the population of the area has grown to a current figure of slightly more than one million three hundred thousand for an average increase, during this seven-year period, of forty-five thousand persons per year.

Even more striking than the area's population growth has been the rate at which land areas have come into development. In 1947 the total developed area in Toronto and its suburbs amounted to sixty-four square miles. Since that date, a total of fifty-nine additional square miles have undergone urban development. Thus, the population increase of thirty-two percent during the last seven years has been accompanied by an increase of more than ninety percent in total developed area. Of the two hundred and forty square miles which comprise the Metropolitan Area, approximately one hundred and twenty-three square miles or slightly more than half the total now are developed.

The Metropolitan Area proper and the Metropolitan Planning Area, which extends to the distance of one township beyond the perimeter of the





Metropolitan Area, may be said to be divided into four reasonably well defined areas, which are:

THE INNER CORE, composed of the City of Toronto. Page 7 of your Brochure. I am sure you will be able to follow this if you will look at it for a moment Gentlemen.

THE CHAIRMAN - This is the inner ring?

MR. GARDINER - This is the inner ring of suburbs and then we have beyond that the three large suburban townships starting from the west.

THE CHAIRMAN - The Township of Etobicoke?

MR. GARDINER - And then beyond that, as appears on page 19, the fringe areas including the Township of Toronto.

THE INNER RING OF SUBURBS

Long Branch  
New Toronto  
Mimico  
Swansea  
Weston  
York Township  
Forest Hill Village  
East York Township  
Leaside

THE LARGE SUBURBAN TOWNSHIPS

Township of Etobicoke  
Township of North York  
Township of Scarborough

THE FRINGE AREAS

Township of Toronto  
Village of Port Credit  
Village of Streetsville  
Township of Toronto  
Gore  
Township of Vaughan



Village of Woodbridge  
 Village of Richmond Hill  
 Township of Markham  
 Village of Markham  
 Village of Stouffville  
 Township of Pickering  
 Village of Pickering  
 Town of Ajax

The first three categories are within the Metropolitan Area and the fringe areas, the last section, are the municipalities which are out of the Metropolitan Regional Planning Area or, as we call them here, the fringe areas.

Both the rate at which population has been growing and the rate at which land has gone into development have served to alter very substantially the balance of population between the City of Toronto and its surrounding suburbs. Before the war the City contained nearly three-quarters of the total population in the Metropolitan Area. By 1947 its share of the total was still around seventy per cent, but by 1955 the City had only fifty-two per cent of the Area's population. The inner ring of suburbs, where the characteristic development is by and large extremely urban in character, has retained approximately the same proportion of total area population: twenty-one percent in 1947 as against nineteen per cent in 1955. The outer ring of suburbs, comprising the three





large townships of Etobicoke, North York and Scarborough, have increased from less than nine per cent of the total population in 1947 to twenty-seven per cent in 1955. The increase since 1947 in the outer ring of the three large Townships has accounted for nearly eighty-five per cent of the Metropolitan Area's total growth in this period. The City, by contrast, has actually lost some fifteen thousand persons since that date. Its current population is six hundred and eighty-two thousand. The inner suburbs showed an increase of sixty-five thousand persons in the same period, from two hundred and five thousand in 1947 to two hundred and seventy thousand in 1955. The three large suburban Townships showed an increase of two hundred and sixty thousand persons from 1947 to a present total of three hundred and fifty-two thousand.

The same sort of growth as has been taking place in the suburban Townships but at a slightly lower rate, has also occurred in the surrounding fringe areas. The five Townships and eight municipalities which comprise the outer ring of the Metropolitan Planning Area had a total population of around fifty thousand in 1947. The current figure is one hundred and eleven thousand representing an increase of one hundred and twenty per cent in the seven-year period,



contrasted with an increase of three hundred per cent in the three large suburban Townships for the same period. The largest part of this fringe growth has taken place to the west, in the unincorporated portions of Toronto Township, which tripled its population from fifteen thousand in 1947 to around forty-five thousand in 1955.

Many of the major problems which confront the Metropolitan Area at this time are the direct result of the form of the metropolitan growth and the rate at which it has taken place. The rapid horizontal extension of the Area and the bringing of huge tracts of land into residential use within a very short period of time have served to create a demand for municipal services both metropolitan and local for which the resources of the suburban municipalities were almost totally inadequate. It was for the solution of these Metropolitan Area problems that the Metropolitan Corporation was formed.

Now we come to Chapter III the subject matter of which is the economy of the Metropolitan Area and as indicated I will read only the conclusions in respect of this paragraph together with the odd other excerpt from this Chapter which, when we originally drew the conclusions, we didn't pay quite





enough attention to. These conclusions are forty-seven point two per cent of the population of the Metropolitan Area is part of the labour force versus thirty-two point eight per cent on a national basis. That indicates that in this area a substantially greater percentage of the population of the metropolitan population is part of the labour force than is the ratio throughout the whole Dominion. In 1955 six hundred thousand persons were employed in the area. That six hundred thousand persons you will recall is part of the population of approximately one million three hundred thousand, two hundred and five thousand of those six hundred thousand were engaged in manufacturing and that is fifteen per cent of the national total. One hundred thousand are engaged in what we call regional facilities for the lack of a better term which includes the wholesale trade, finance, insurance and business services representing fifteen per cent of the metropolitan employment versus a seven point five per cent national and a seven point two percent Ontario average. That is indicated to show the extent to which the Metropolitan Area is becoming important in these particular occupations and engagements which are not related to the local industries of the Area itself but which result from the Metropolitan Area being the centre of a much larger area



in respect of which it handles the wholesale trade, finance, insurance and other business activities for a much wider area than its own geographical limitations and these two hundred and ninety-five thousand of six hundred thousand are engaged in what we call local employment. I don't know at what stage I am going to disagree with the gentleman who said that the economic future of Canada is that we shall be hewers of wood and drawers of water, but it may be proper to make a remark here when I tell you that manufacturing remains the dominant economic activity although it is decreasing slightly in percentage of the total. The reason it is decreasing slightly in respect of the total is that the second category, or what we call regional facilities, financing, insurance, services, that sort of thing, is increasing at a faster rate -- employment in regional facilities is increasing in percentage of the total employment. Manufacturing industries are widely diversified, the largest industries are: Aircraft, printing, book-binding and publishing, men's and women's clothing, industrial machinery, bakery and meat products, heavy electrical equipment, miscellaneous electrical supplies, paper boxes, bags, etc., rubber products. I suppose I do not need to say to your Commission that in this area there is nothing which indicates





that it is considered to be, in any sense, a heavy industry area. It is a remarkably widely diversified area in respect of the many manufacturing activities which are carried on and therefore perhaps we may have more protection than some municipalities whose areas are dependent essentially upon one industry, in the event of less favourable economic conditions than prevail at the present time. Those are the conclusions which we have drawn with respect to the economy of the Metropolitan Area. There a number of pages which follow which indicate why these conclusions have been arrived at and the research upon which those conclusions are founded. I would like, however, to refer the Commission to page 22 if I may, and starting with the paragraph that begins on that page I will just have a little more to say about the important place which manufacturing occupies in this Metropolitan Area.

Manufacturing remains the dominant economic activity in the area and is the most important single source of employment. Despite a drop in the proportion of workers employed in manufacturing (from thirty eight per cent of the total labour force in 1941 to thirty-five point six per cent in 1951 and to thirty-four per cent in 1955) the actual number of persons employed in manufacturing has risen



steadily from one hundred and fifty-three thousand in 1941 to around two hundred and five thousand today. Meanwhile, the remaining sources of employment, which are largely the activities required to provide services on a local basis for the area's inhabitants themselves, have remained fairly constant in relation to the total economy. Employment in these fields - principally retail trade, personal and professional services, construction, transportation and utilities, and government - has remained fairly steady at around fifty per cent of total employment from 1941 to this date.

These figures, as well as longer-term trends running back to 1921, establish fairly conclusively the fact that manufacturing is decreasing in importance as the dominant source of the area's employment, and hence as the principal basis of its economy. Measured in terms of the actual growth which has taken place employment in the regionally-orientated segment of the economy (wholesale trade, finance, insurance and business services, etc.) has risen by one hundred and fifteen per cent since 1941 - from forty-six thousand to ninety-nine thousand. Employment in the "local" segment of the economy (retail trade, services, government, construction, etc.) has risen by forty-five per cent in this period, from





two hundred and three thousand to two hundred and ninety-five thousand. The growth of manufacturing employment since 1941 - one hundred and fifty-three thousand to two hundred and four thousand in 1955 - has amounted to an increase only of thirty-three per cent. The total population, in contrast, has grown by forty-seven per cent. The correspondence between the growth in population and in "local" employment emphasizes the fact that these activities are indeed "local" and serve principally to provide necessary local services rather than to bring outside income into the area.

Despite this drop in the relative importance of manufacturing in the area, Toronto's manufacturing industries have retained a fairly constant share of the total national employment in manufacturing, and, if anything, this area's proportion of total employment in manufacturing in Canada may be increasing slightly. Both in 1947 and in 1952 (the last year for which comparable figures are available) the Toronto area had fifteen point three per cent of the country's total manufacturing employment. As far as employment in larger establishments (employing more than fifteen persons) is concerned, for which later figures are available, Toronto's share of the national total has risen from sixteen point one per



cent in 1947 to sixteen point eight per cent as of September 1955. In any event, while the two sets of ratios are not strictly comparable, it seems fairly well established that the Toronto Area has maintained around one-sixth of the national employment in manufacturing since the war. The point I am trying to bring forward is that while the percentages of total employment may vary, the percentage of local employment remains apparently standard. Those services which are rendered on a regional basis are increasing in proportion to the total manufacturing - is slightly lower in proportion to the Metropolitan total but it is maintaining its position of about sixteen per cent or one-sixth of the total employment in manufacturing in the Dominion.

THE CHAIRMAN - If you took in the areas which are outside the Metropolitan Area I suppose you might get a different result as far as manufacturing totals are concerned.

MR. GARDINER - Oh what we are talking about here is strictly the Metropolitan Area. Obviously if we took in A. V. Roe and British American Oil and the St. Lawrence Cement Plant, just about to be built, and when it has got its employees there, I think you will find that if we took in the Metropolitan Planning Area rather than just the





Metropolitan Area precisely, it might very well be that the percentages are not going down as much as we had indicated for the Metropolitan Area and certainly it would indicate that this area, having regard to its Metropolitan Planning Area, has a very substantial percentage of the total employment and manufacturing in Canada. Next page I would like to refer you to is page 28 and the paragraph commencing at that page while considerable capital has been invested in Toronto's manufacturing industries in the past eight years, the total of such investment in this area from 1947 to 1955, peculiarly, I think,-- has been relatively small compared to the national total. This has also been the case with the other major manufacturing centre of Montreal, but is not so marked for the other Canadian metropolitan areas. Neither Toronto nor Montreal accounted for more than ten or eleven per cent of the total national investment in manufacturing from 1947 to 1954, to the extent that this was a result of substantial expansion in the Nation's primary and heavy manufacturing industries, such as petroleum, steel, aluminum and chemicals, the relative deficiency in capital expenditures in Toronto and Montreal may not have too serious an effect on future employment levels in manufacturing. I suppose rather that there has been in other parts of the



Dominion exceptional capital expansion at a rate which no one would ever expect to be equalled in a more settled area such as Metropolitan Toronto or the Metropolitan Area. Mr. Grauer, I suppose, would know better than we the observations that should be made in that respect having regard to the tremendous capital expenditures which have been made in the Province of British Columbia, both with respect to developing horsepower, smelting of aluminium, building of paper plants and in the development of those things which require very large capital investments.

Now the next Chapter has to do with the future growth of the Area and our first conclusion is that the total non-agricultural employment increased by one hundred and seven per cent from 1930 to 1955. A slightly lower rate of growth one hundred and one per cent is estimated for the next twenty-five years. I don't know whether I should attempt to calculate these conclusions or not, but if we say there are six hundred thousand persons employed in 1955 I suppose what we are assuming is that we have one million two hundred thousand employed in 1980 so then we have an increase in employment of one hundred and seven per cent in the last twenty-five years and our estimate is that for the next twenty-five years it will show an increase





of about one hundred per cent. The residents of the area will find an increasing percentage of employment in regional facilities, wholesale trade, finance, insurance and business services, and a decreasing percentage in manufacturing, although the absolute amount of industrial employment will increase, and local employment will remain a practically constant percentage of the whole.

By 1980 the estimated distribution of employment will be as indicated in this little schedule, the first column is 1955 and the second column is the estimate for 1980 and the third column is the percentage of increase. We look for an increase in manufacturing employment of from two hundred and twenty-six thousand to three hundred and forty-six thousand being an increase of fifty-three per cent. In regional the figures indicate for 1955 to 1980 there will be a total increase of one hundred and sixty-five per cent and for local employment an increase of one hundred and fifteen per cent. These estimates are in accordance with the observations which we have already made. Local employment will carry on at about the same percentage rate. Regional employment will carry on at a much increased percentage and manufacturing will increase to the extent of about fifty-three per



cent. By 1980 forty-five per cent of the total population will be employed. That is not essentially different from the figure which I used a while ago, I think it was forty per cent. Here is now one of the things upon which we start to make some forecasts. By 1980 one million two hundred and sixty thousand jobs, which is a one hundred per cent increase over six hundred thousand that are now in existence, will support a population of two million eight hundred thousand, about twice the present population, or we may say by way of forecast, that we expect to see one hundred per cent increase in the population and one hundred per cent increase in the jobs which are available. I don't know which comes first and which comes second, whether the people are here first and they get the jobs or whether the jobs are here first and they attract the people, but nevertheless for what it is worth, that is our first substantial guess for you as to what the situation will be twenty-five years hence.

THE CHAIRMAN - It is certainly a substantial one.

MR. GARDINER - That is certainly not optimistic. It may be in accordance with our general spirit of optimism in the Province of





Ontario and particularly Metropolitan Toronto but we hope we have not permitted our optimistic aspect with regard to the Dominion of Canada to run away with our judgment particularly with respect to the observations we are making to you. By 1980 Metropolitan Toronto will have ten per cent of an estimated population of twenty-eight million in the Dominion of Canada. The next thing, I think is very significant. In the last several years more than fifty per cent of the immigrants to Canada settled in Ontario - and at least forty per cent of those settling in Ontario settled in Metropolitan Toronto. So that twenty per cent of immigrants into Canada settled in this Metropolitan Area, amounting to thirty-five thousand per year since 1946.

THE CHAIRMAN - May I just ask Mr. Gardiner, perhaps it is set out in this Chapter which I have not had a chance to go through, but how do you make that estimate. I don't want to interrupt you.

MR. GARDINER - I am not so sure that it does appear in the rest of this Chapter.

THE CHAIRMAN - I thought it was a little on the low side that is the reason I am asking.

MR. JONES - We admit it being conservative but it is the usual method with the immigration people Mr. Chairman. We have no special knowledge.



THE CHAIRMAN - I thought it was probably a little higher.

MR. GARDINER - That is a fairly substantial figure.

THE CHAIRMAN - Yes.

MR. GARDINER - If fifty per cent of the immigration lands in Ontario and we get the benefit of forty per cent and, of course, it is a benefit in some respects, but it might have some problems, twenty per cent of the immigration into Canada lands in this Metropolitan Area and that is quite a substantial amount of our increased population. Looking at that I would perhaps agree with you that one would feel it was a greater per centage than twenty per cent. However, the figures in front of me are the Department of Immigration figures divided into a certain number of years. This is an attempt to indicate to you what we estimate would be the distribution of the metropolitan population of two million eight hundred thousand at the end of the next twenty-five years. I will not read the figures to you but you will see that part of the figures will continue to decrease. The City, the inner suburban ring will decrease in percentage of the total but will still be a substantial amount. A very substantial increase will take place in the





big three residential suburban municipalities and also in the fringe areas which are beyond those three large suburban townships. The next statement is to indicate to you the percentage distribution of the population entitled "Planning Area by 1980". You will notice that the City in 1955 was forty-eight per cent and by 1980 is reduced to twenty-six per cent. The inner suburban ring is now nineteen per cent and is reduced to eleven per cent. The suburban townships are now twenty-five per cent and will increase to forty-six per cent and the fringe areas which are now eight per cent will be increased to seventeen per cent.

The next conclusion is perhaps an important one certainly from the point of view that there will be a shift in the geographical location of all jobs as a result of the shift of population. The main location for jobs in the Metropolitan Area at the present time is what we call the "City core", Wards 2, 3 and 4, where there are now forty-nine per cent of all the jobs in the Metropolitan Area. Now calculating the one hundred per cent increase on the first statement the figures below will indicate a shift. The City will shift from seventy-one per cent at the present time, that is the whole City, to fifty per cent and the inner suburban ring will



shift from thirteen per cent to seven per cent. The suburban townships will increase from eleven per cent to thirty-three per cent and the fringe areas will increase from five per cent to ten per cent. That is the location of the jobs which has a very serious effect upon the responsibilities of the Metropolitan Corporation particularly in respect of transportation as is indicated in the next conclusion. Redistribution of jobs will affect the necessity for redistribution of transportation routes and facilities.

Now I just want to read the next paragraph if I may.

Since by 1980 the present fringe areas which are excluded from the Metropolitan Area but are included in the Planning Area will be an integral part of the metropolitan economic complex, employment and population trends discussed here apply to the entire Planning Area.

THE CHAIRMAN - Built into the Metropolitan Planning Area.

MR. GARDINER - I don't propose to read these details now. We conclude there will be one hundred per cent increase in population based upon which we conclude there will be one hundred per cent increase in jobs. We indicate the basis upon which these immigration figures were calculated and





now we come to page 45. I don't know that I need to spend too much time on this. The Table shows the purported distribution of population in 1980 between city, inner suburban ring, suburban townships and the fringe areas. I think perhaps we have already made enough comment on that.

Page 50 - We estimate distribution of employment which may arise as a result of what I was previously speaking about - the shift in the population and the shift in the industrial jobs which will, particularly in percentage at least, be reduced in the City of Toronto and will be increased in the suburbs. That Table shows how that estimated distribution of employment is calculated and what I want to say about that is, beginning at the bottom of Page 50 - the significance of the probable distribution of population and employment, can be seen readily. At present the suburban townships contain twenty-five per cent of the Planning Area population and eleven per cent of the jobs, and the daily travel from these areas into the central area of the City is very high. Nevertheless, while these townships will have forty-five per cent of the population and thirty-three per cent of the employment in 1980, the actual number of jobs in the central area of the City will have increased by one hundred and sixty



thousand. Thus, while the relative positions of the various parts of the Area will change, insofar as the distribution of population and employment is concerned the very real problem of providing suitable access to the central parts of the City will be magnified, rather than reduced. At the same time a thorough redistribution of transportation routes and facilities will be required in the outer parts of the Area.

That brings us to Chapter V - which deals with future land requirements in the area and the conclusion is that from 1947 to 1955 the developed portion of the Metropolitan Area increased from sixty-four square miles to one hundred and twenty-three square miles. In other words, it doubled in eight years. The anticipated additional growth in development by 1980 will involve an additional one hundred and eleven square miles for a total of two hundred and thirty-three square miles out of a total of two hundred and forty square miles in the Metropolitan Area. In other words, we anticipate within the next twenty-five years the whole of the Metropolitan Area will be substantially developed. The anticipated development in the fringe area is from twenty-seven square miles in 1955 to one hundred and five square miles in 1980, an addition of seventy-eight square miles. The estimated distribution of





land uses in the Planning Area by 1980 will be - I don't think I need to take the time of the Commission to read the next table but you will see that we made a percentage of the total now and in 1980, which is residential, semi-rural, industrial, and parks and open land. The next conclusion is that sufficient shopping centres are already in existence, about to be commenced or planned to serve the whole area by 1970. An additional five to six hundred acres may be required by 1980. The next conclusion is that fully serviced subdivisions as presently being developed provide for four and one-half dwellings per gross residential acre, and that four and a half residential units per acre is based upon a development wherein you have eightyone and a half per cent of the dwelling units in detached houses - ten per cent semi-detached and eight and a half per cent in apartment buildings.

The next statement indicates the average cost of providing local services in a subdivision for one hundred dwelling units. This is presented on account of the procedure which is now current in large residential suburban municipalities, that a subdivider is now required to pay for the instalment of all of the internal services. They are no longer financed by local improvement debentures by the local



municipalities, and this shows what it costs to put in those internal services, as we call them, per front foot of land. It is calculated on the basis of one hundred units and results in an average per front foot cost of twenty-nine point sixty-eight dollars.

So you may say that in respect of suburban residential development, that thirty dollars of the cost of the land today is involved in the provision of internal services, provided by the subdivider and paid for by him, rather than being financed on the local improvement basis. That, in some respects, is a snare and a delusion. Some people think that because it is said that the subdivider pays for that, he actually pays for them. The sub-divider pays for nothing. In the first instance he finances it and then he charges that into the cost of the land and Central Mortgage and Housing finances the mortgage and the purchaser eventually pays for it as ultimately the purchaser always pays for everything.

It has some advantages and we don't know yet whether it will have disadvantages or not. It has at least got the advantage that it doesn't add to the capital debt of the local municipalities for local improvements, but rather, in the first instance, they are paid or financed as I have indicated, by the sub-





divider, and eventually become the debt or responsibility of the purchaser, rather than the responsibility of the municipality for the debentures which previously used to be issued on the local improvement basis.

Now we see that there is park land in the Metropolitan Area of about three thousand acres and that there are plans under contemplation for the acquisition of Metropolitan park lands of about three thousand eight hundred acres, and that the park land needed by 1980 is about nine thousand acres. Again I will pass over all the details. I would now like to call your attention if I may to page 58 which has to do with a matter which is very important to the Metropolitan Corporation and that is that we should have, if I may call it such, an inventory of serviced industrial land available for industry to buy at a reasonable price. Starting at the bottom of the page - There has been a steady demand for industrial land in the Toronto area for several years. In each of the past two years around one thousand two hundred acres of new sites have gone into development, while the average amount of new industrial development over the past several years has been around one square mile per year. The current demand for industrial sites is for medium and large sized tracts, fully serviced, at a reasonable market price. A substantial part of



this demand is reported to be difficult to meet, largely because so much of the suitable unused lands is being held for potential or for speculative plant expansion purposes. I would like to take perhaps a moment of the Commission's time to indicate what is going on in our rapidly growing industrial areas. Industry, Gentlemen, never intends to be caught again without having appropriate room for expansion so where we have serviced industrial land, let me say for example an industry needs five acres to establish its requirements, its present requirements that is, it invariably acquires ten acres so that it may protect itself against future expansion without having to leave the place where it is located. Now that is having a serious effect upon available land, industrial land available for sale at reasonable prices, because it is taking out of circulation a tremendous amount of serviced industrial land and when you take that out of circulation we again have to provide the Metropolitan services for other industrial land located, usually, further away, to replace that land which has been taken out of circulation. Nobody can complain about the judgment exercised by the people who are responsible for the development of their industries but it does indicate how you find yourself in a position by reason of that decision of the industrial





men, where it is very difficult to keep up with a satisfactory inventory of industrial land which is serviced.

Now we move over to Chapter VI which is our public works program and I have laid on your table Mr. Chairman what we call a copy of our Ten-year Capital Forecast, not that I intend to refer to any more than merely a communication to you the extent to which we have gone in attempting to forecast what our capital expenditures will be for the next ten years and the degree of particularity with which we have worked out our estimates for that period of time. Now without reading aloud the figures in this conclusion you will see that our ten year forecast is for about seven hundred and seventy million dollars of what we might call public works. It is important for you to bear in mind that that includes three hundred million dollars on account of local municipality costs. The local municipalities no longer have the right to issue their own debentures in view of the fact that we occupy the position of being their banker. We also have to bear in mind the total amount of the outstanding debenture debt both for Metropolitan purposes and projects as well as for local area undertakings. The next paragraph or conclusion, without reading it,



is that the ten year forecast does not include anything for an additional rapid transit system. We are being, I wouldn't say reluctantly, but very forcibly driven to the position where we must admit that if we are going to satisfactorily service transportation needs of the Metropolitan Area, we have to go into further rapid transit. If we go into further rapid transit the estimated cost at the present time is an additional one hundred and fifty million dollars or let us say another one hundred and thirty million. So that we have to contemplate in a period of ten years capital expenditures, the creation of a debenture debt, of about nine hundred million dollars. The next conclusion is that this nine hundred million dollars may be required for the first ten years of the twenty-five years that you are concerned about. During the second fifteen years only two-thirds of this amount would be required. However, we have come up with that figure, if you folks are interested in it, that the capital expenditures which will require debenturing in the Metropolitan Area over the next twenty-five years will amount to about one to one and a half billions, the detail of which follows.

I will now come to Chapter VII which is on page 80 and indicates transportation requirements.





The first conclusion. We say that we contemplate the enlargement of the Malton Airport and the Toronto Island Airport and airport facilities should be adequate for the next twenty-five years.

Water transportation and development of facilities for overseas shipping are under the control and direction of the Toronto Harbour Commissioners who have been diligent in providing adequate berth and transit freight shed accommodation. The St. Lawrence Seaway should add substantially to the development and expansion of the Area.

This requirement is of most concern to the Metropolitan Corporation in the field of transportation, that is its ability to provide an adequate basic system of arterial highways and expressways together with adequate rapid transit. The Metropolitan Corporation as a municipality cannot stand the cost involved in providing a never ending series of expressways which will be filled the day they are opened. To attempt to do so is to compound the problems of handling an ever-increasing number of motor vehicles in the central area, relieving the resultant traffic jams, and financing the off-street parking facilities which will be required.

The Toronto Transit Commission out of its reserves, accumulated earnings, and debentures



issued for its account expended sixty-seven million on the Yonge Street subway, so far the debentures of the Toronto Transit Commission have been considered as self-liquidating debt which does not affect the Metropolitan Corporation's net debt position. But with its reserves of accumulated earnings and its fare stabilization reserve exhausted and operating at a loss for 1955, it indicated most recently two million three hundred thousand dollars after the application of all its reserves from the remaining amount of its reserves; it is very doubtful that the T.T.C. can finance the additional rapid transit facilities which are required. The decision regarding such additional rapid transit is one of the most important which the Metropolitan Council will have to make in the near future. As a matter of fact, it will probably have to be met this year. While a basic system of arterial highways is essential and must be provided there comes a time when one dollar spent on rapid transit will accomplish as much as five dollars spent on additional highways.

The Dominion Government says municipal expressways are no part of its constitutional obligations. I haven't offended against what I saw on the front page of the Globe and Mail yet but I am afraid before I am through I will have to offend slightly





with respect to that.

The Province says it will contribute fifty per cent to the cost of metropolitan roads including approved expressways but will not contribute to the provision of rapid transit. The Metropolitan Municipality is caught in the jaws of a vise; it knows that rapid transit will solve its transportation problem, after essential expressways are built, for a fraction of the cost of additional highways and parking facilities which will only compound the traffic problem and the financial position of the Municipality.

The Metropolitan Corporation can no longer, within the bounds of a reasonable tax rate and in any way that would not lead it into financial difficulties, continue to pay the social welfare costs involved in capital grants to hospitals to the extent of one million dollars per year; the hospitalization of indigent patients to the extent of over two and a half million dollars per year; the financing of children's aid societies to the extent of two and a half million dollars per year; the care of aged persons to the extent of one and one half million dollars per year, for a total of approximately seven and a half million dollars per year, and at the same time pay the full cost of rapid transit to relieve highway congestion and provide transportation for the residents



in the area without additional assistance from the higher levels of government for its highways or relief from its social welfare responsibilities, or without additional sources of revenue other than real estate taxation.

In the United States the financing of major highways in metropolitan cities is shared fifty per cent by the federal authority, twenty-five per cent by the state, twelve and a half per cent by the county and twelve and a half per cent by the city. This is a more realistic approach to the problem when one considers that approximately fifty per cent of the personal and corporation income tax comes from Ontario and that at least one-third of that comes from the Metropolitan Area. If the Metropolitan Area pays one-sixth of the national personal and corporation income taxes and a very large share of the excise and sales tax on automobiles - here I now start to offend the Federal Government whom I haven't offended yet - the Federal Government should in its negotiations with the Provinces,

THE CHAIRMAN - You are getting closer.

MR. GARDINER - and particularly the Province of Ontario recognize that it has a direct responsibility for and interest in the continued development and prosperity of the area and that the





tremendous expansion, industrially, commercially and residentially which is going on in this Area gives it financial responsibilities which cannot be ignored, by referring to constitutional principles which were established in 1867 which, if my memory of history serves me right, is the time the British North America Act was passed.

THE CHAIRMAN - It has been suggested to us in some parts of Canada that it is high time we should review and re-write the British North America Act. Would you, as a lawyer, have any comments Mr. Gardiner?

MR. GARDINER - I would say that that job would be infinitely greater than the one that you have at the present time and after you have finished yours, and we get the benefit of your advice and see how we get along, then we will take another look at the British North America Act.

THE CHAIRMAN - That sounds very sensible.

MR. GARDINER - The day has arrived when the construction of a never ending series of successive expressways will no longer solve our transportation problems. Additional rapid transit which will cost infinitely less and will do the job infinitely better is essential and it should be contributed to by the Province and recognized by the Dominion in its



dealings with the Province, so that our metropolitan areas which contribute so much to the revenue of both levels of government may not be strangled by motor vehicle traffic and their development thereby impeded.

In the Metropolitan Area there are four hundred thousand motor vehicles and in the extended Planning Area an additional fifty thousand. The total of these two constitutes one-tenth of all the motor vehicles in Canada. In respect to these motor vehicles the Dominion will have collected in 1955 approximately two hundred million dollars for sales tax and excise tax while its estimated expenditure on highways in the whole of Canada will not have exceeded twenty-seven million dollars. The expenditure of the Metropolitan Corporation in the Metropolitan Area alone for the same period was approximately twelve million dollars and will be approximately twenty-five million dollars for 1956.

In the absence of contributions by the Dominion to highways and by the Province to rapid transit, consideration should be given to a metropolitan tax on motor vehicles in the Metropolitan Area of ten dollars per passenger car and a graded tax on trucks which could produce revenue of approximately five million dollars per year to be used for





expressways and rapid transit which are the only answer to the traffic congestion caused by an increasing number of motor vehicles. Details follow.

THE CHAIRMAN - I wonder, Mr. Gardiner, if you would like to take a rest for about five or ten minutes on that note.

MR. GARDINER - Thank you Sir.

--- Recess.

--- After recess.

THE CHAIRMAN - Now if we can come to order Gentlemen.

MR. GARDINER - At the adjournment, Mr. Chairman, we were making some observations with respect to transportation requirements in this Area and I had presented to you the conclusions at which we had arrived. There is a significant statement on page 98 that I should refer you to. The second last paragraph on the page which will indicate to you the importance of rapid transit in our present transportation. On an average weekday in 1955 the Toronto Transit Commission carried about one million passengers for an average distance of about three point five miles, resulting in a total of three million five hundred thousand passenger-miles. Those general figures perhaps do not carry the impression we would like to create but, in other words, there are one



million paying passengers carried per day on the present lines of the Toronto Transit Commission and, from three hundred to four hundred thousand transfers but in the category of paying passengers; so that one million passengers a day is all that the Toronto Transit Commission is now carrying. On page 102 we made a brief observation there with respect to the role of public and private transportation. It is therefore absolutely essential to induce the maximum number of persons to use public transit. Every reasonable investment in transit facilities will result in a greater saving in investment in roads and parking facilities. On the other hand, investment in roads will not result in decreased cost of public transit, but in an increasing deficit in transit operations which ultimately will be borne by the public.

So far, public means have been available only for roads. The Provincial Government pays fifty per cent of the construction, and I should say which is maintenance costs of metropolitan roads, and our position is that it would be logically justified and financially wise if the Provincial Government would equally share in the cost of transit facilities as one transit line will carry the same number of passengers as do five six-lane expressways.

The figures upon which that statement is





based I believe are in this Brief too. In any event, that is now a commonly accepted statement. That is why I say that you arrive at a stage, after you have a basic system of arterial highways, where one dollar spent on rapid transit is as good as five dollars spent on more Ontario highways or expressways.

Now on page 114 again, I don't want to go into the details of this too much, but you will see how we estimate the cost of Metropolitan roads and transportation facilities which will be required in the next twenty-five years. The total at the bottom is six hundred million dollars and includes, as you will see in the left-hand column, rapid transit lines for a total of two hundred and twenty million dollars; expressways, all of them indicated, for two hundred and twenty-four million dollars; and other Metropolitan highways, new or reconstructed, elimination of grade crossings and miscellaneous road improvements, one hundred and thirty-one million dollars and parking facilities to the extent of twenty-five million dollars, for a total of six hundred million dollars. And I should say that this does not include the expense of the local municipalities upon their local internal roads, as we call them, but applies only to what we call Metropolitan projects as differentiated from local and municipal projects.



The next Chapter is VIII and has to do with school facilities. This commences on the next page, page 116. It is superfluous, I suppose, to say that the cost of education is one of the largest and most important that the municipalities have to contend with, particularly with the rapidly expanding suburban areas where new schools are needed to service the population which is moving in and is largely constituted of young families where many children will be born and will require facilities for their education.

Now this first total indicates an estimated increase in school enrollment, new buildings and new teachers. For elementary schools an eighty-one per cent increase in twenty-five years, buildings eighty-seven per cent and teachers eighty-three per cent. For secondary schools, one hundred and eighty-four per cent for enrolment, one hundred and fifty-six per cent for buildings and two hundred and thirteen per cent for teachers. Separate schools in enrolment, ninety-two per cent, seventy-three per cent for buildings and one hundred and thirty-two per cent for teachers. In total, there is a significant figure, the increase in enrolment, of one hundred per cent over the next twenty-five years with ninety-three per cent for buildings and one hundred and





sixteen per cent for teachers.

The next conclusion indicates a total additional capital cost for schools during the next twenty-five years. Public elementary schools, one hundred and forty-two million dollars; public secondary schools, one hundred and fifteen million dollars; rehabilitation of existing schools, twenty million dollars; separate schools, sixteen million dollars for a total capital cost of two hundred and ninety-three million dollars in the next twenty-five years. If you divide that by twenty-five you will see that it exceeds ten million dollars a year average over the next twenty-five years. That is the capital picture. What we have to consider as well is the current picture.

With an estimated ninety-six per cent increase in public school buildings and one hundred and fifteen per cent in public school teachers it may be assumed that over the next twenty-five years current operating costs of schools will increase at least three times. The net, current cost to the Metropolitan Corporation in 1954 after all grants was twenty-two million dollars.

MR. GRAUER - At that page, Mr. Gardiner, comparing the figures of Ontario schools, public and elementary schools and secondary schools respectively,



where the opposite trend of the increase in elementary schools, as I read the figures on page one hundred and sixteen, ----

MR. JONES - Oh that is the replacement of old schools Sir.

MR. GRAUER - That is the answer is it.

MR. JONES - Yes.

MR. GARDINER - So that we may have that on the record, it has to do with the replacement of old schools which is contained in the schools' schedule, and is not referred to in the second schedule.

The Metropolitan ten-year capital forecast made in 1955 is for one hundred and twenty million dollars for public educational facilities. A more realistic estimate is probably one hundred and thirty million dollars, which estimate extended to twenty-five years becomes two hundred and seventy-five million dollars.

Now the details upon which all these conjectures and projects are based on page one hundred and nineteen, halfway down, if you will look briefly at this figure or this statement, the Metropolitan Area as a whole, elementary school enrolment, is twelve per cent of the total population, and secondary school enrolment, comprises two point eight per cent of the total population. Total public school





enrolment, is, therefore, equal to fourteen point eight per cent of the total population. Enrolment in the separate schools constitutes an additional two per cent of the population, which means that total school enrolment, financed from rates, amounts to sixteen point eight per cent or one-sixth of the area's total population.

The matter you were speaking about Mr. Grauer appears at the bottom of page one hundred and twenty-six which indicates the additional replacement costs, such as those for new buildings.

MR. GRAUER - Thank you.

MR. GARDINER - A statement that perhaps will be of interest to you appears on page one hundred and twenty-eight and has to do with formal schools. The cost of new secondary schools will be greatly influenced by the extent to which vocational schools - both technical and commercial - will be utilized. It is clear that the technical demands which will be made on the future labour force will be so much greater than at present that an increasing number of young persons will require the specialized training which the vocational schools provide. Therefore, it may be anticipated both that an increasing proportion of young people will remain at school for a longer period, as already noted, and that a larger portion



of these will receive vocational as well as academic training. At the present time, thirty-five per cent of the total secondary school enrolment, in the area is in the vocational secondary schools. By 1980, it may be assumed that at least half the secondary school population of enrolment will be in these schools.

Average construction costs per pupil may be expected to run at least twenty-five per cent higher for vocational schools than for academic secondary schools, and the total cost of providing the sixty new secondary schools which will be required will be around one hundred and fifteen million dollars, including sites.

The commission may be interested in an observation on page one hundred and thirty-two with respect to the demand for teachers. Starting with the paragraph which begins at about the middle of the page - The indicated requirement for school facilities in the Metropolitan Area emphasizes the need for an increased supply of teachers. In this area it appears that more than three hundred and seventy-five teachers will have to be recruited annually to supply additional classroom needs alone; natural reductions in the supply of teachers through separations can be expected to increase this demand considerably. The fact that by 1980 all teachers will undoubtedly be required to have university





training, and the especially strong need for additional high school teachers, are particularly worthy of note in considering the future requirements of the educational system.

The next Chapter is Chapter IX and appears on page 135 and has to do with hospital facilities. The present shortage of general service hospital beds in the Metropolitan Area is two thousand three hundred. One thousand four hundred additional beds are under construction or in the immediate planning stage. Between 1955 and 1980 it is estimated that seven thousand five hundred beds will be required in addition to those presently under construction or planned.

It is estimated that seven thousand five hundred additional beds in the Metropolitan Area during the next twenty-five years will cost ninety to one hundred and ten million dollars.

It is estimated that by 1980 an additional three thousand beds for chronic hospital care will be required, and that they will involve additional estimated expenditures of twenty-five to thirty-five million dollars.

The respective capital contributions made by the three levels of Government per bed for new hospitals and additions are: Federal, one thousand dollars; provincial, one thousand dollars,



Metropolitan Corporation, one thousand dollars. These amounts are subject to increase from time to time when special circumstances or special equipment is involved. The average cost of general service beds being twelve thousand to fifteen thousand dollars, there remains nine thousand to twelve thousand dollars per bed to be raised by voluntary contributions.

On January 1st, 1954 the Metropolitan Corporation assumed liability for all unpaid capital grants to public hospitals in the area which the City of Toronto and the County of York had previously agreed to pay. The aggregate was approximately five million dollars. These commitments are being paid in five annual instalments of approximately one million dollars each. The amount of five million dollars will remain fairly constant as experience indicates that as soon as one is paid off another takes its place. We had to come to the conclusion as to whether to debenture grants to hospitals or whether we would carry them in the current tax rate, that it was a better and more conservative and better financial policy to follow, to charge whatever we could by way of grants capitalwise to hospitals under the tax rate each year, so that a taxpayer would know what his money was being used for. And, incidentally, so that it would constitute some automatic brake





upon the otherwise probable, and more leisurely consideration that the Metropolitan Councillors would want to give to hospitals their present pretty-appealing cases for capital grants for their purposes.

THE CHAIRMAN - Cleaning the deck so you could make some grant the following year I suppose.

MR. GARDINER - That's right. The hospitals would like us to debenture five million which we owe them so that we would carry the interest charges on the debenture rather than the Councils and the hospitals, who would borrow the moneys from the bank, would then pay us the interest charges themselves and, incidentally, with respect to those grants, they are never paid until the actual construction is started on a hospital for which they are appropriated and, generally speaking, we try to keep them roughly consistent with the Provincial contribution. The Federal contribution is about one thousand dollars a bed.

MR. GRAUER - Hospitals run operating deficits, by and large?

MR. GARDINER - They do. If you would like to know the figure for 1954 -

MR. GRAUER - Yes.

MR. GARDINER - We now have, or used to have in Toronto, the Toronto Hospital Council. Now



we have the Metropolitan Toronto Hospital Council, which Council represents all of the public hospitals in the Area. The hospitals have argued consistently, and persistently, that in the case of hospitalization of indigent patients, they run them into deficits. In 1954, as you will see from the report which is on your desk there, the Metropolitan Corporation, now being responsible for the hospitalization of indigent patients, undertook sufficient research to satisfy itself whether the amount paid by the Metropolitan Corporation plus the amounts paid by the Province of Ontario in statutory amounts, was sufficient to pay for the hospitalization of indigent patients. The hospitals presented a Bill. They said they lost in 1954 on hospitalization of indigent patients, one million two hundred thousand dollars. We took their statements and tried to give consideration to them and we came to the conclusion that what they were telling us was, their loss for indigent patients was actually their operating loss on the whole hospital, and we had no obligation, and I don't think should ever put ourselves into the position of paying the deficits of hospitals, although we are required to pay certain statutory amounts for indigent patients. So in the process of investigating whether that one million two hundred thousand dollars was actually





their loss on indigent patients or their total operating loss, we came to the conclusion that six hundred and fifty-seven thousand dollars of it resulted from indigent patients, so that left them, for the year 1954, operating according to our diagnosis of the situation, at a deficit of about six hundred thousand dollars on the overall picture.

With respect to these capital grants, observation is made that one million dollars a year be raised by current taxation and not being debentured, or if they were debentured it would make no difference, it would only make it worse -- these payments constitute a considerable impost upon the real estate taxpayer. In other words, if we pay one million dollars a year for capital grants to hospitals, what we are actually doing is paying out amounts which it seems would amount to about one-third of a mill, or what we call our Metropolitan levy, on the thirteen constituent municipalities. Now when we come to the subject Mr. Grauer was speaking about, the statutory liability of the Metropolitan Corporation for the hospitalization of indigent patients, in Class A public hospitals, that is six dollars per day. We are not going to take you through the details of Class A, B, C, D, E and F, we will just use one to demonstrate the point I am trying to make. This



item, which is the statutory obligation of the Municipality of Metropolitan Toronto to the hospitals for indigent patients, cost the Metropolitan Corporation in 1954 the sum of two million, two hundred and twenty-one thousand dollars. In addition thereto the Metropolitan Corporation paid to the public hospitals in the Metropolitan Area the sum of six hundred and fifty-seven thousand dollars for extras supplied to indigents for a total amount of two million eight hundred and seventy-eight thousand and ninety-six dollars. The estimated amount for 1955 is three million eight hundred and sixteen thousand dollars. This also is a very considerable impost upon the real estate taxpayer.

The contribution by the Province for the hospitalization of indigent patients in Grade A public hospitals is two dollars and thirty-five cents per day for every bed occupied or unoccupied. That means that the Province pays to every public hospital in Grade A, two dollars and thirty-five cents per day for every bed. It does not have any reference to occupancy but when it is occupied by an indigent patient, that means we pay an additional one dollar ninety cents per day, for a total of four dollars and twenty-five cents per day. Crediting the Province with two dollars and thirty-five cents per day for





each bed occupied or unoccupied as a contribution to indigency the burden of indigent hospitalization is shared by the Province and the Metropolitan Corporation on approximately a fifty-fifty basis.

A report of the Welfare Committee of the Metropolitan Council upon the subject of hospitalization of indigent patients will be filed with the Commission upon the presentation of this report and that is on your Table there this morning. That is the situation with respect to hospitals without going into the details gentlemen.

Now Chapter X on page 151 has to do with housing needs. Estimated housing needs 1955 to 1980, are an existing shortage in 1955 of twenty-five thousand units, additional families during the next twenty-five years two hundred and eighty thousand units, replacement of present units one hundred and forty thousand units, vacancy reserve by 1980 of 1955 units, fifteen thousand units. Total housing need 1955 to 1980, four hundred and sixty thousand units or an average of eighteen thousand .

Minimum qualifying income for an N.H.A. loan for the cheapest sale unit -- a semi-detached house in Scarborough selling at ten thousand five hundred dollars -- is three thousand six hundred dollars, a figure which is attained by only approx-



imately one-third of the wage and salary workers in the area. New construction therefore is beyond the reach of most of the families in the area on a rental or purchase basis.

More than half of the Area's population increase comes from immigrants, who traditionally settle in the older sections of the City.

Because the supply of new housing is limited to the fraction of the total population which can afford it, necessary replacement in these older sections of the City is being postponed, making bad housing conditions worse than they would otherwise be. As long as there is a demand for the older housing in the central portions of the City where immigrants usually first locate themselves, it places in the way of redevelopment a cost of acquisition which tends to slow down the process of redevelopment. It is estimated that, during the next twenty-five years, forty-five thousand to fifty thousand units of publicly aided housing, such as Regent Park in the City, houses built upon land assembly projects such as Malvern and the Lawrence Heights full recovery moderate rental project, will be necessary; an additional nine to ten thousand units should be provided in elderly persons' housing projects of the Beech Hall type, which will be largely self-liquidating. In





respect of that statement the Metropolitan Corporation presently, as indicated in the Lawrence Heights Recovery Moderate Rental Project on Lawrence Avenue and the rest on Bathurst Street, will provide about eleven hundred units of rental accommodation on a full recovery basis, non-subsidised, at rentals from fifty-eight to seventy-eight dollars a month.

The Metropolitan Corporation is also interested in what we call the Beech Hall housing which is for elderly persons, usually those in receipt of old age pensions where the rental can be carved down to somewhere around twenty-eight to thirty two dollars a month. That is subsidised solely by the municipalities in that they must be able to build the units so that they do not cost the local municipalities more than twenty-five dollars of taxation per year and that if they do, that must be made up by the municipality.

Now from the financial point of view, the next conclusion is that it is estimated that total housing needs at an average construction cost of ten thousand dollars per unit for four hundred and sixty thousand units will involve capital expenditure and financing in various forms of four billion six hundred million dollars from 1955 to 1980.

Now on page 156 we indicate how the



provision of an average of eighteen thousand per year compares with what has been our experience up to date.

To provide a sufficient supply of dwelling units to meet this anticipated need, an average total of more than eighteen thousand units will be required annually over the twenty-five year period. Of this figure, around eleven thousand will be required annually for newly-formed or newly-arrived families, and nearly six thousand units a year will be required for replacement purposes.

This is a much higher rate of new housing construction than has ever been maintained in this area for any extended period of time. While the indicated total number of housing completions for 1955 is twenty-three thousand, which is considerably higher than the required rate, the average rate of housing completions over the past five years (including 1955) has only been fourteen thousand five hundred units per year, and in the five-year period from 1946 to 1950 the average was only five thousand eight hundred units.

You may now turn to Chapter XI which has to do with social welfare requirements. It appears on page 167 to 168.

The social welfare services for which





the Metropolitan Corporation is responsible are: The hospitalization of indigent patients, the provision of homes for the aged, the financing of children's aid societies, and the post-sanatorium care of consumptives.

The hospitalization of indigent patients and the provision of homes for the aged have been dealt with elsewhere.

The post-sanatorium care of consumptives cost the Metropolitan Corporation two hundred and six thousand dollars in 1954 and is estimated to cost two hundred and fifteen thousand dollars in 1955.

There are three children's aid societies operating in the area: The Children's Aid and Infants' Home of Toronto, which has jurisdiction over Protestant children in the City of Toronto only; The Catholic Children's Aid Society of Toronto, which has jurisdiction over Catholic children in the City of Toronto only; and the Children's Aid Society of York County, which has jurisdiction over Catholic and Protestant children in the twelve suburban municipalities and the continuing County of York.

The financing of children's aid societies in 1954 cost the Metropolitan Corporation two million dollars, less provincial grants of four hundred and thirty-four thousand dollars, for a net cost of one



million six hundred and four thousand dollars.

The estimated net cost for 1955 is two million and twenty two thousand dollars.

A committee has been appointed by Elizabeth Govan Ph.D, as social welfare consultant and J.D.Woods and Gordon, as management consultants, to re-arrange the jurisdiction of the three societies so that there will be a Metropolitan Toronto Children's Aid Society operating in respect to Protestant children in the Metropolitan area, a Metropolitan Toronto Catholic Children's Aid Society operating in respect to Catholic children in the Metropolitan Area and a new society operating in the remaining County of York.

The total cost to the Metropolitan Corporation for welfare services and administration costs in respect thereof in Nineteen fifty four was six million, six hundred thousand dollars, less provincial grants and other recoveries of one million four hundred thousand dollars, for a net cost of five million, two hundred thousand dollars. The estimated net figure for 1955 is six million, seven hundred thousand dollars. This is a very substantial impost on the real estate taxpayer which cannot be said to bear any relationship to the ownership and servicing of his land and buildings.

Increasing suburbanization has served to render existing welfare programmes in the outlying





areas inadequate to meet the needs of the growing population.

Existing welfare services in the area are not adequate to cope with any serious dislocations in the area's economy.

Now turning to metropolitan finance.

Chapter XII on page 182. The Metropolitan Corporation which has already been indicated, has prepared a ten year capital works programme for works to be undertaken directly by the Metropolitan Corporation as well as works to be undertaken by the area municipalities in respect of which the Metropolitan Corporation will be required to do the debenture financing. The total amount of this capital works programme after deducting Provincial subsidies will be seven hundred and seventy million dollars. This capital programme however does not include any amount for rapid transit which may amount to a further one hundred and thirty million or a total of nine hundred million dollars.

The aggregate capital expenditures of the Metropolitan Corporation and the thirteen area municipalities during the next twenty-five years are estimated at one billion four hundred and seventy-five million dollars. I do not need to read the details of that to you, all the figures are included there, allocated to the various projects which



require that expenditure, so that we find we are faced with an expenditure over the next twenty-five years for capital purposes, one billion four hundred and seventy-five million dollars. This is the amount that will have to be debentured, by the Metropolitan Corporation.

The debt charges (principal and interest in annual instalments) to service these debentures will be reduced however by Provincial grants on school capital costs of forty-five million dollars; self-liquidating items such as water supply to the extent of one hundred and fifty-five million dollars and miscellaneous - forty-five per cent of total miscellaneous expenditure, one hundred and twenty-five million dollars, so the total with debt charges recoverable out of that one billion, four hundred and seventy-five million, is three hundred and twenty-five million dollars so that after deducting this amount from the gross of one billion four hundred and seventy-five million dollars a net total of one billion one hundred and fifty million dollars of debentures will have to be serviced out of the tax levies of the Metropolitan Corporation and the thirteen area municipalities over the next twenty-five years.

The annual increase in debt charges which must be levied by the area municipalities to service an additional one billion one hundred and fifty





Million dollars of capital expenditures is estimated at three point seven million dollars per year averaged over twenty-five years. The increase will average four point eight million dollars per year over the first ten years, including one hundred and thirty million for additional rapid transit, but dropping to an average of three million dollars per year for the remaining fifteen years and giving that average for the whole twenty-five years of three point seven million dollars; perhaps I should hesitate there to say, we should bear in mind that, that three million dollars worth of assessment in the Metropolitan Corporation, which is rapidly approaching that one mill of the Metropolitan tax rate as against the thirteen constituted municipalities, will raise about three million dollars. So I am trying to say, and I hope I am right, that if we contemplate an average of three point seven million dollars increased cost from servicing our debentures over the next twenty-five years, today, with one billion five hundred million dollars to go to capital works, it looks as though we might do it by adding to our Metropolitan levy, not more than an additional Metropolitan mill.

There is another way of looking at it. Let us take the average tax rate of the thirteen constituted municipalities as being about forty mills,



as I will indicate to you here in a moment; In 1954 we increased (we didn't do it) the assessment in the Metropolitan Area -- taking credit for something that happened as an Act of God, I guess -- by one hundred and six million of very well balanced assessment. By that I mean forty-five per cent of it in industrial and commercial as opposed to fifty-five per cent in residential and in 1955, the year just concluded, there was added on the same favourable ratio, one hundred and fifty-six million of new assessment. Now if we can assume, for a moment and I think it would be fair to assume, that we are not going to continue to increase that one hundred and fifty-six million, but if we can assume that we could increase at the rate of one hundred million a year, then that forty million on the average local area tax rate, would produce new money by raising a brand new assessment to the extent of about four million dollars a year.

While looking at this picture, partially from the point of view of the Metropolitan Corporation and its activities, you would have to look at it also, not only from the Metropolitan Corporation's particular point of view but also from the combined point of view of the Metropolitan Corporation in respect of its projects and the local area municipalities in respect





of their local projects which, similarly, have to be financed by the Metropolitan Corporation, but paid for by the local municipalities. Now, when we make this observation, it must be borne in mind that as new debt is being added, both some of this new debt and previous debenture issues will be extinguished by reason of final payments. Incidentally, everything up to date, so far as the Metropolitan Corporation is concerned, has had to be put on the basis of serial debentures but we are now committed, by reason of amendments to the legislation, to issue sinking fund debentures which, although it in no sense makes it easier for the Metropolitan Corporation to finance it, it does make the debentures more acceptable to the people who desire to buy them.

It is estimated that this reduction in debt charges will amount to an average of nine hundred thousand dollars per year. The average net increase in debt charges may therefore be estimated at two point eight million dollars per year over the next twenty-five years. This will average three point nine million for the first ten years and two point one million for the remaining fifteen years.

The increase in maintenance expenditures (i.e. general government, school and public works



operating costs, excluding debt charges) of the Metropolitan Corporation and the thirteen area municipalities averaged over twenty-five years is estimated at three point two million dollars per year. As opposed to the servicing of capital expenditures, that is a general covenant. Now the interesting part of that is that we have stated that the average for the servicing of our capital expenditures in debentures is four point eight, rather three point seven average over twenty-five years and for the current is three point two so the combination of the two of them is six point nine. Again bearing in mind that three billion dollars worth of assessment on the one mill basis produces three million dollars, while we are not in what we could call a position where we can proceed without due regard to the future, to undertake all these capital undertakings, that we shall be undertaking; by the same token as I will tell you in a few minutes, from where I now stand in completing this brief, if somebody would please take the cost of social services off our shoulders, which do not have any bearing whatsoever on the services that are required by real estate, we can finance our whole programme within the balance of a reasonable tax rate without any substantial increases and without any financial difficulties. What does cause





us trouble is that we have to share a substantial burden of the cost of social services which has no bearing upon real estate, which is our only source of taxation. That, Gentlemen, is the thing that stands in our way.

The average total increase in the amount required to service one billion one hundred and fifty million dollars of new capital expenditures and to provide for increased maintenance costs is six million dollars per year over twenty-five years.

The total assessment in the Metropolitan Area at the end of 1955 subject to revision is two billion, eight hundred and eighty-nine million dollars. In 1954 it increased as a result of new assessment by one hundred and six million and in 1955 by an amount in excess of one hundred and fifty million.

Annual average increase in tax revenue at the current forty-two mills average in the local municipalities would produce an additional four point two million dollars per year on new assessment of one hundred million dollars per year. Therefore an average deficiency of one point eight million dollars per year would have to be raised out of current taxes. (The deficiency would reach two point seven million over the first ten years, and drop to one point two million for the remaining fifteen years).



If the average over the whole period of twenty-five years is one point eight million, of course you can't operate your municipality and satisfy the people who pay the taxes, and tell them that while it is going to cost them in 1958 two point seven million more, that if they will live for fifteen or twenty years you will reduce it down to one point two million during the next half of the period, and that on the average it will only cost them one point eight. That just doesn't work. The things that we have to be concerned about are that if our projections are right and that this combined servicing and capital debt plus the additional current cost and this figure of something in the neighborhood of three million dollars for the first ten years, then we are in a position of having to impose on our municipalities, and through them on the metropolitan taxpayers, something in the neighborhood of a mill for that purpose alone.

The Metropolitan Corporation and the thirteen area municipalities face very large capital expenditures which will add to their capital debt. The Metropolitan Corporation, which issues debentures for its own account and for the area municipalities upon the consolidated financial foundation of the assessment of the whole area, enjoys a very sound financial position as is indicated by the





following net debt position. I should have said there, at the present time.

The net debt position of the Metropolitan Corporation and its area municipalities as of November 2nd, 1955, after giving effect to the most recently issued debentures, which were issued at that date, and based upon 1955 assessment returned by the assessors but not revised is;- now, on the calculations on the following page, the first figures indicate the balance of area municipalities still outstanding which were assumed by the Metropolitan Corporation; then such things as water works, sewer disposal plants, and those things which were taken over without cost as between the Metropolitan Corporation and the area municipalities, but the Metropolitan Corporation was to assume the outstanding capital debt, so that the figure of one hundred and forty million at the top is the balance of what we took over from the municipalities on the 1st day of January, 1954.

The next figure, sixty-three million, is the total still outstanding debt of all the area municipalities, the thirteen municipalities, which we did not assume.

The next figure is the balance outstanding of the debenture which the Metropolitan



Corporation has issued since, both for its own account and for the account of the local municipalities.

That makes the total debt of three hundred and nineteen million dollars from which is deducted self-liquidating debentures, the Toronto Transit Commission, sixty-nine millions, that is assumed, sir - up to date, as being a liquidating debenture. It may continue even though the Toronto Transit Commission operates at a deficit, to be a self-liquidating debenture, if the Metropolitan Corporation comes to the conclusion to pay each year to the Toronto Transit Commission the amount of its operating deficit and to apply onto the current tax rate whatever amount is paid off that deficit. For instance, in the year 1955 the T.T.C. was facing a deficit which had to be faced and we came to the conclusion to ask the Provincial Legislature to enable us to make it a grant of two million five hundred thousand dollars during the year 1956 on the basis that we would apply that immediately onto the current tax rate of the thirteen municipalities and would not attempt to debenture it.

Now the waterworks are always assumed to be self-liquidating as is also the hydro-electric system so we have a net debt of one hundred and ninety-four millions against an assessment of two billion





eight hundred and eighty-nine million which gives us a percentage of net debt to assessment of six point seventy-one per cent at the present time and a net debt per capita of one hundred and forty-eight dollars. A percentage of net debt to assessment of up to fifteen per cent is considered favourable and up to twenty per cent satisfactory and causes no immediate or actual concern until it approaches twenty-five per cent. So our present financial position determined by the ratio of our net debt to assessment is a very favourable one of six point seven.

Having regard to the magnitude of the capital financing required to be done by the Metropolitan Corporation to carry out its ten-year capital programme of seven hundred and seventy million dollars exclusive of additional rapid transit and nine hundred million dollars including rapid transit we have endeavoured to procure assistance in determining for how long and to what extent the present industrial, commercial and residential development in this area may continue. We requested the assistance of the Federal and Provincial Governments, the banks and several major industrial enterprises. From each we have received every evidence of co-operation but I think it is fair to say that all agree



that the answer is one that is difficult in the extreme and can only be answered by an investigation of the magnitude which your Commission is undertaking.

We have decided to proceed upon the assumption that the year 1956 will not be essentially different from 1955 and for our long term forecast we will await the report of your Commission. Unless your investigations indicate to the contrary we will assume that your Commission's forecast with respect to the economic conditions in Canada will apply equally up or down to Metropolitan Toronto. That conclusion is based upon the fact that Metropolitan Toronto has approximately one-quarter of the population of Ontario, and Ontario has approximately one-third of the population of Canada, making the population of Metropolitan Toronto approximately one-twelfth of that of Canada. The exact current ratio is eight point three per cent, up from seven point nine seven per cent in 1951. Previously we have indicated to you that we think the population in the Metropolitan Area will be approximately ten per cent of Canada. This ratio has shown an uninterrupted increase since 1871 and the trend is expected to continue, making Metropolitan Toronto an ever more integral part of the Canadian economy. A further basis for our decision is that Ontario enjoys





approximately forty per cent of the total Canadian personal income and that upon a very conservative basis Metropolitan Toronto enjoys one-third of Ontario's personal income for approximately thirteen and one-third per cent of Canada. Corporation income tax and personal income tax comes from Ontario in an amount approaching fifty per cent. Again upon a conservative basis one-third of this comes from Metropolitan Toronto for sixteen and two-thirds per cent of all Canada. Having these considerations and many others in mind it seems reasonable to assume that whatever economic conditions prevail in Canada they will be reflected to the same extent and to the same degree in Metropolitan Toronto.

It is perfectly obvious and undeniable that with the tremendous burden of cost involved in providing municipal services both of a local and metropolitan nature in an area such as Metropolitan Toronto - I guess here is where I really start to offend - that Federal Government buildings which are operated for the general benefit of the whole of Canada should pay to the area municipalities a grant in lieu of taxes equal to that which they would pay to the local municipality on the total assessed value of their properties.

THEIR CHAIRMAN - Well that is a very



offence. I thought you said you were going to begin to offend.

MR. GARDINER - If I bring a note from my mother this afternoon apologizing for my conduct that will be allright will it?

THE CHAIRMAN - Allright.

MR. GARDINER - It ~~cannot~~ be said with any justification that the City of Toronto or any other of the constituent municipalities in the Metropolitan Area should subsidize the operations of the Federal Government by free taxation when out of this area comes about fifteen to twenty per cent of all the Federal revenues which are distributed throughout the Dominion of Canada for the benefit of the whole of Canada.

I think the final observation which I would like to make is that if the Metropolitan Corporation is relieved from its statutory and other obligations in the social welfare field - in which I include aged persons' homes, the financing of children's aid societies, the financing of the hospitalization of indigent patients and hospital grants, which have no relationship whatever to the services which are required by real estate, which is the only source of municipal taxation - that despite the heavy burden which will be placed upon it the Metropolitan





Corporation can finance such metropolitan services as water supply, sewage disposal, arterial highways, rapid transit and education for the next twenty-five years within the bounds of reasonable taxation.

If, however, the Metropolitan Corporation is not relieved of the very substantial burden of social welfare costs the two higher levels of government must immediately consider on the Federal level contributions to the cost of arterial highways and rapid transit which will avoid compounding the cost of arterial highways, and, on the Provincial level the Province must also immediately consider making contributions to a greater percentage of some of the social welfare services which are presently the responsibility of the municipalities, or making available to the Metropolitan Corporation other sources of municipal revenue, such as a tax upon motor vehicles domiciled within the Metropolitan Area, in order that the burden of providing arterial highways and rapid transit can be paid by the Metropolitan Corporation without imposing upon its constituent municipalities a levy which will result in unduly heavy taxation.

We will await the findings of your Commission with the greatest of interest.

Now Mr. Chairman, in conclusion I think



I would only like to repeat that we have attempted, to the extent of our ability, to indicate to you what we consider to be the economic prospects of the Metropolitan Corporation in the next twenty-five years in consideration of your telling us what the prospects are for the Dominion of Canada for the same period.

THE CHAIRMAN - Well Mr. Gardiner, I would like to congratulate you on your very able presentation and also to congratulate you and all your associates on the preparation of an extremely valuable brief. It will be of very great help to us, not only to the members of the commission, but to the members of our research staff and we are very grateful to you indeed.

Now if we may, we would like to ask you a few questions, and the first question that I would like to ask you about the Brief is in regard to the immigrants who have settled in the Toronto area since the end of the war. I think you mentioned twenty per cent of all the immigrants that have come to Canada in that period have settled in the Metropolitan Area and quite obviously that has had a great deal to do with the increase in population of Metropolitan Toronto during that period. Now, if, because of a greater measure, both of employment in Western Europe and





greater prosperity in Western Europe, there are fewer people who wish to immigrate to Canada and the total numbers of immigrants coming into this country tend to fall, then it would mean I, presume, that your estimates of population growth will be modified and it seems to me they could be modified quite importantly. Would you agree with that?

MR. GARDINER - May I take the advice of my experts Sir?

MR. CHAIRMAN - Certainly.

MR. JONES - Mr. Chairman the new Dominion Bureau of Statistics run population projections of a high immigration total and a low. We simply took their high and our proportion of the total on that basis.

THE CHAIRMAN - I see. Your proportion is based on the twenty per cent which, let us say, has been your experience so far?

MR. COMAY - If I may make an explanation here Sir, we assume that the national population would continue on the basis of the D.B.S. high projection which is based on high fertility and high national immigration. Our own share of the estimated population was as a part of Canada to its trend in relation to industrial investment. A trend to which we can estimate the number of jobs and so forth.



THE CHAIRMAN - Thank you. I know Mr. Gardiner, we never set our sights too high in this part of the Country, but I wanted to know just what the basis was.

MR. GARDINER - I had indicated that we tried to get some help from the various organizations that I have spoken about. We actually did try to get the benefit of the information of the Department of Trade and Commerce who have economists in their employ and two of the largest industrial concerns of the country, and while some of them hesitated to express an opinion, one of the sources did express an opinion. It came from one of the banks and from my point of view it was very, very useful. It referred to two million. One was the speech Mr. Payne, the Chairman of the Bank of Canada, made to the Investment Dealers' Association, although he was directing their attention to the level of securities to be available to be sold. And another came from an organization, the name of which I have forgotten, I think it is the Economic Research Associates, and they had a scale for population for 1980 for projections, the lowest of which was two million two hundred thousand and the highest was two million eight hundred thousand and they observed, of course, what you have just





observed, that if either the recently high birth rate did not continue or if immigration did not continue, that either one or both of those things would have a substantial affect upon the matter. So in answer to your proposition I want to say that I agree that if the climate in Europe becomes such as to encourage people who are there now, and who desire to come to Canada, to stay and changes their view so that they wish to stay, then obviously that will have a substantial effect on the growth of the population in Canada.

THE CHAIRMAN - In talking about expressways and rapid transit you pointed out very clearly that an expansion of the present rapid transit system would solve the problem, or help to solve the problem, of traffic congestion at very considerably less cost than building a lot more expressways, but you said, as I remember it, that the Province was prepared to pay fifty per cent of any expenditures on expressways but nothing towards rapid transit. Is that a firm and final and complete decision or are they subject to a little persuasion?

MR. GARDINER - I don't know whether they are subject to persuasion or not but there is going to be an attempt to persuade them, but I should call to your attention that in making the



broad statement that the Province was willing to pay fifty per cent of expressways which are undertaken by the Metropolitan Corporation, that they similarly have to be approved.

THE CHAIRMAN - Yes.

MR. GARDINER - So that, subject to that, the Province is willing to pay fifty per cent of approved Metropolitan highways both for construction and maintenance. I do not know what the future holds with respect to the process of education which I will attempt, but it seems to me it is a perfectly realistic approach to the subject that if the building of a succession of arterial highways will only confuse the situation, which it does, we haven't gone far enough with the arterial highways yet because we haven't even got basic arterial highways that we need. We have to some extent provided them with expressways, which they thought they needed, and which they have. I don't know if I should mention any of these but I recently have discovered that as soon as we open an express expressway, it is filled and they are only an additional encouragement to people to travel in automobiles, (occupancies in each automobile have now got down to an average of about one point five people) instead of using the public transportation system, and as long as you spend a





great deal of money to provide arterial highways you are going to continue encouraging people to make uneconomical use of a capital funds which are expended to relieve the transportation problem.

THE CHAIRMAN - I think we can assume your efforts towards education in that direction will have some effect and certainly are very convincing so far as we are concerned.

MR. GARDINER - Well I have tried. While you are operating on a low level in Toronto, actually you are operating on the Federal level and your function will be to point out and suggest to the Federal government what can be done and to get the Federal Government to recognize this as an absolute necessity. Then I think we will be getting down to a more realistic approach to the solution of the trouble. The Dominion Government says we have no right, no constitutional right, to pay any monies for an expressway or highway other than the ones we own and have developed. However, if I may say in an objective way, and I realize it is very hard for me to be objective with respect to the present administration, but I try to be, they are not taking a realistic approach to it. The City of Detroit is an example. They built the John C. Lodge Highway and the Edsel C. Ford Highway. One is an east-west expressway and



the other is a north-south expressway. Now, whether they made the right decision in Detroit, or not, is open to question, because they are encouraging the use of expressways instead of encouraging the use of rapid transit, but on the basis of the financing, the Federal Government designates its highways, as it may, and it is a defence highway, which immediately pays fifty per cent of the cost of it. The State of Michigan pays twenty-five per cent of the cost of it, and the County of Wayne pays twelve and a half per cent of the cost of it and the City of Detroit pays twelve and a half per cent of the cost of it. Now we would be able to build all the expressways we need without the slightest financial difficulty if we were paying eight per cent of the cost of these highways, instead of fifty per cent. We could do that without the slightest financial difficulty, also, if we were paying twenty five per cent of the cost of it instead of fifty per cent of the cost of it. I don't know how much I should be saying about these things, but I think, Mr. Chairman, you will perhaps permit me to say this : I realize that those who administer the municipalities find themselves in a straight jacket today with respect to their finances and any forum--no matter how constituted-- is bound to be exploited as a sound-





ing board for them to draw to the attention of the two higher levels of government what needs to be done to permit the municipalities to remain solvent, and to keep them in a position of expansion and development, which in my humble opinion is good for the Dominion Government and for the province of Ontario.

But, by the same token, I think it goes a step further than that, I think it has something to do with the economic prospects of the Dominion of Canada, for the next twenty five years, whether the Municipalities - particularly the large and expanding ones - find the large costs of financing too much - and are going to be able to provide the services - which to go back to my original proposition - will provide a proper climate for industry to come in and enjoy - water - sewers - highways - housing for the labour forces, and education, all the things you have to provide to attract industry. If you are able to attract industry, then you can do what, let's say Metropolitan Toronto is doing - and Vancouver is starting to do - they are becoming centres from which industries - commercial and financial organizations, are operated at a profit - which provides revenue to be distributed by the Dominion Government on whatever basis is proper between the Dominion Government and the ten Provinces, and then on a lower level, between the Provinces and the Municipalities. The economic stability and



progress of these large municipalities will be a very large factor in what will constitute economic prospects for Canada for the next 25 years. I think that discussion - although it is one that perhaps people don't like to hear on the Federal level - the fact is, that it is germane to the discussion, and it is perhaps one of the most important things, when you are trying to determine what the economic conditions in Canada will be,

THE CHAIRMAN: I think your points are very well taken Mr. Gardiner. Certainly, the Members of this Commission feel strongly that the developments in the urban municipalities and the ability of the municipal authorities to finance those developments, are of the greatest importance. I would like to ask you one more question - in your submission you have not referred directly - at least not in the summaries, to the responsibility for insurance and relief for people who are unemployed for one reason or another. Is that because that is considered to be the responsibility of the municipalities?

MR. GARDINER: At the present time unemployment relief is not one of the responsibilities with which the Metropolitan Corporation is charged.

THE CHAIRMAN: I see, thank you.

MR. GARDINER: Now I don't want to say anything to indicate the Metropolitan Corporation or its Council would like to take over the obligation of providing unemployment relief in the 13 constituent municipalities, but you can see a cloud on the horizon "as big as a man's hand", which is likely to grow if we run into substantially less fortunate





economic conditions than we presently enjoy and if unemployment relief is to continue to be a part of the financial responsibility of the area municipalities, and it gets to substantial proportions, I should not think it will be very long before it would be suggested, with some merit, that that should be a Metropolitan responsibility, because your labour force is split amongst a number of municipalities and your industrial assessment, which is the surplus assessment, may be located in other municipalities, and probably is, because the dormitory municipalities are in an area around ones which have the obvious ratio of assessment. So, if it continues to be the responsibility of local municipalities, it becomes something of substantial financial importance. While we are not looking for things which will cause us to increase our taxes so far as our thirteen municipalities are concerned, it may very well be, if unemployment and its financial consequences are to remain a municipal responsibility, that that is just as much a Metropolitan responsibility as are roads, water, sewers, transportation and the other things which have to be handled on an area basis.

MR. GRAUER: The figures for immigration were very interesting, Mr. Gardiner. Fifty per cent you said - of the immigration settled in Ontario. That seems rather large, in view of the larger percentage, or in view of the great capital programme which is going on in the rest of Canada. Has the Province



of Ontario any plan for attracting immigrants?

MR. GARDINER - As I understand the situation, ~~since~~ what I will call the immigration airlift which we had here about ten years ago was discontinued, outside of, of course, what is done at Ontario House and I should not be talking about the Province because I am out of my field -- I think in Ontario House in London there is a certain amount of advertising done in public relations to indicate that Ontario is a good place for immigrants to come to -- but other than that I don't know of anything else.

MR. GRAUER - No particular reason, then, that would affect that result, that you can think of -- other than the obvious one that Toronto and Ontario are the best places to live in?

MR. GARDINER - We rise and bow accordingly.

THE CHAIRMAN - They haven't been talking to me that way before.

MR. GARDINER - I think everyone can make his own personal analysis as to why immigrants who come to this Country eventually gravitate to the large cities. They come over here under certain circumstances, with which you are familiar, and they have to do certain things for a certain length of time and they seem to like larger cities where they





think they can do better than they can elsewhere. For some reason or other, they gravitate to the large centres.

MR. GRAUER - With respect to the transient problem, one proposal that we have on page 186 that perhaps a metropolitan tax on motor vehicles would have to be levied; I believe fares in Toronto are lower than in any other large City. Is it a matter of policy that that should be done that way? In other words, why wouldn't some of the slack have been picked up in increased fares?

MR. GARDINER - They have on the Toronto Transit Commission, what is commonly known as a ten-cent fare structure. It is actually ten cents for the central zone, eleven and a half cents for the next zone and five cents in the next zone and five cents for the next zone. I think the seven and a half becomes ten cents for the first suburban zone. If you have cash you can buy tickets for it so that the effect of the fare structure is ten, seven and a half and five and five. Now that fare structure in 1955 resulted in an operating loss of two million three hundred thousand dollars. We have to make up our minds in the year 1956 what is going to be done with respect to the Toronto Transit Commission. We want this rapid transit we are speaking of and,



in this connection - one might say that if the Rapid Transit were justified -- and, gentlemen I should mention here that incidentally, the Metropolitan Planning Board is making at this time a complete analysis with respect to the matter of rapid transit -- "is it justified, and, if so, where should it be" -- and what the estimated cost of it should be. That would be the next approach, upon which we will engage ourselves.

THE CHAIRMAN : Yes, I see.

MR. GARDINER: Of course, Gentlemen, what we were trying to do in this Brief, is to tell you what is going to happen in Metropolitan Toronto in the next twenty five years -- and we hope to have that by March.

If we have that by March -- let us assume -- although I have no right to assume it -- that the investigation indicates we should have a subway which would run along Bloor Street, and a parallel subway to Yonge Street, which would run down University Avenue.

Before I go any further, I should mention this very significant factor - the subway system which is already operating in this city, and which, you all know, runs down Yonge,





is now operating practically at capacity and will in fact operate at full capacity as soon as the new cars come out from England which are on order. What prevents it from operating at full capacity now is that the subway platforms are built for a maximum of eight-car trains and they have been using up to today six-car trains, thinking and estimating - which again shows you how lacking in optimism we are at times - that we would not reach the maximum capacity of the subway on Yonge Street for perhaps another six or seven or ten years. At the moment those orders are out to make those eight-car trains for the subway and it is operating at its maximum capacity which is thirty-four thousand passengers an hour at the peak and it will operate at forty thousand passengers an hour as soon as the cars are here. It is obvious that there is no use in putting on Bloor Street an east-west subway if you think it is going to discharge its passengers into the Yonge Street subway, which it would have to do, when it is already operating at capacity. Therefore, you have to contemplate another parallel subway to Yonge Street from Bloor down to Union Station connecting to the one that is now there. That is where the one hundred and fifty millions is.

Now then, the ten cent fare structure is the lowest fare structure in any metropolitan city on



the North American Continent, bar none, but the experience of all other metropolitan transit authorities in metropolitan cities -- and I hope what I am saying coincides with what happened in Vancouver, I had better be careful here -- but in the United States every time you raise the fares you lose a percentage of the riders. The Toronto Transit Commission thinks that they need to keep that ten cent fare structure on that basis and should not increase it because of their apprehension that if they increase it they will lose more of their riding passengers than they will make up. The difference between the full revenue per rider which would result from the increased fare structure would be a twelve and a half cent fare structure.

MR. GRAUER: They would lose more than the effect of the increase?

MR. GARDINER : They think they would.

MR. GRAUER: Thank you. I don't think that has happened anywhere.

MR. GARDINER : That has been the case when they get up into the fifteen cent fare structures or the twenty cent fare structures.

MR. GRAUER: I would be interested in that information - you do lose a proportion of it, but to the best of my knowledge you don't lose





anywhere near all of it.

MR. GARDINER : No - you don't lose all of it. You have got me into a field now where I am no expert - maybe I am no expert in any field, but I am certainly no expert in that field. However the Toronto Transit Commission engaged experts or consultants who were the best and most eminent transit authorities on the North American Continent, just last year, to give them advice as to how they might get out of their present difficulties.

MR. GRAUER : I didn't want to take too much of your time Mr. Gardiner. I would like to know this - is it a matter of policy that they are kept at that level?

MR. GARDINER : If we went to a twelve and a half cent fare structure instead of the present ten cent fare structure the experts say that the net effect would be an increase in revenue of four and a half million dollars. So what the experts are saying is consistent with our own ideas, that if you jump from the ten cent to the twelve and a half cent fare structure - so long as the twelve and a half cent fare structure is not too high -- then the additional revenue which you get - although you do lose some of your passengers - gives you a substantial net benefit. That is what we have to decide this



year; whether we will stay at ten cents or go to twelve and a half, whether the Metropolitan Corporation finances the Rapid Transit one hundred per cent or whether we can induce one or two of the higher levels of Government to assist us.

MR. GRAUER: Just one more question -- with regard to your very impressive picture of industrial development, do you happen to have any information as to what proportion of these industries would be tariff protected ?

MR. GARDINER: I wouldn't have the faintest idea, I am sorry to say. I would think the Canadian Manufacturers Association may be able to help you there. I believe they are going to present to you a brief in a few days.

MR. GRAUER: Yes.

MR. GARDINER: If you will reserve that question for them I think they would be better able to answer than than myself.

MR. GRAUER: Thank you.

MR. GUSHUE: I am very interested in the subsidization of the Federal Government through taxation; the point has been made on the contributions from the areas to the Federal Government Treasury and the same point with regard to the freedom of Federal property from taxation. This has come





before us in more than one place but it has been rather placed on the broad principal that the Federal Government, being the occupant, should pay taxes with no relative contribution to come from any area. I was wondering on what grounds would the Metropolitan Corporation leave that argument - on the broad principal or on the grounds which have been related?

MR. GARDINER: I subscribe to the broad principal that has been presented to the Federal Government on many, many occasions, by the Federation of Mayors and Municipalities, which represents all the municipalities in Canada, and by other municipal associations. That is on the broad ground that the municipalities have to provide services of which the Government, by virtue of its buildings, takes advantage. Up to date that doesn't seem to have made much impression, although I see a ray of sunshine in something Mr. Harris said the other day after Mr. St. Laurent had some comments to make on this, but I haven't the information here to produce to you today. It was however in a different and rather novel aspect, which seems to be overlooked, and to put it colloquially, the Federal Government should not prevent the goose from crowing so that it can continue to lay bigger eggs which go



into the Federal revenue basket.

MR. GRAUER: Would you include provincially owned buildings and property in the same basket ?

MR. GARDINER: Provincially owned buildings presently pay an amount in lieu of taxes for one hundred per cent of their assessed value.

MR. GRAUER: That point is covered then.

MR. GARDINER: As does the Hydro Electric Power Commission, as does the Toronto Hydro Electric System - as does everybody - every organization with the exception of the Federal Government, and the way they carved us out of the contribution we otherwise would have got, seems to me to bear no valid relationship to any logic or common sense unless it was pure discrimination. I have forgotten the percentages, but unless you have a certain percentage of your total assessment - I think it is two percent -- it used to be four but now it is two per cent -- you were excommunicated from the benefit you would otherwise get, where there were large assessments in the very places which were excluded. With our three billion dollars, that would be an assessment where we would have to have two per cent of Federal buildings. We hope to get that prosperity





as a result of the development which is going on here , so that we can have a good prosperous municipality, and have indicated that we are philanthropists to the extent of still pouring these tremendous sums into the coffers of the Dominion Government. Every time we put a dollar of additional assessment on here we just put another obstacle in our way from getting a contribution from the Dominion Government. It is completely illogical and for the life of me, I have never been able to understand it. Why should any municipality, big or small - whether it is Esquimalt out on the Coast, or whether it is somebody down in Halifax -- be asked to subscribe to the financing of those things which are in the constitution of this country? They are the responsibility of the Dominion Government - there is no logic - there is no sense - there is absolutely nothing, nothing at all to justify it. Therefore I assume we must have some kind of additional argument to the one that has not yet been successful, to indicate that perhaps it would be a good investment for them to make, so that they would continue to get their dividends.

MR. GRAUER : This is using your second-barrelled attack I take it?

MR. GARDINER: That is all I have got at the moment.



THE CHAIRMAN: Thank you again Mr. Gardiner. It has been a most interesting morning. We will mark your brief Exhibit 122 for the record and I will ask His Worship Mayor Phillips to present his submission. Perhaps his suggestion would be that we take half an hour off for lunch --

MR. PHILLIPS: I think it would be advisable for the Members of the Commission to eat.

THE CHAIRMAN: Yes, we do occasionally. We will adjourn then for half an hour.

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Recess.

After Recess  
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THE CHAIRMAN: Now gentlemen, if we can come to order. The next exhibit will be No. 123, the submission by His Worship Mayor Nathan Phillips, on behalf of the City of Toronto. I might say that when I was talking about this submission or the possibility of there being a submission, one day last February, Mayor Phillips said in his modest way "Well, the City will be presenting a submission" but he couldn't give me any assurance that he would be the one who would be presenting it; that would be up to the Electors. For the benefit of those of you who don't happen to come from Toronto, I don't think it was exactly unanimous, but it was almost so, that





Mayor Phillips should present this submission to us this afternoon.

MR. PHILLIPS: Thank you Mr. Chairman and gentlemen of the Royal Commission. First of all I want to extend a hearty welcome to you all to the City of Toronto and Mr. Chairman, I know that you live here, so in a sense this is a welcome home to you. I sincerely hope that during your spare time you will have an opportunity of enjoying yourselves, and if there is anything the Municipal Administration can do to make your stay here a pleasant one, please command us.

Although I have endeavoured to get into this Chamber on two former occasions in a different capacity, this is really the first opportunity I have had to succeed, and as I look back over the years, I think I am happier at this moment, raising my voice as Mayor of the City of Toronto, than in any other capacity in which I might have been sent here.

The brief which you have before you - we call it a submission - is divided into nine chapters with an introduction and a conclusion. The nine chapters constitute the work of the experts, our Planning Director Mr. Lawson, The Senior Planner Mr. Wronski, and Planning Analyst Mrs. Hardy. The only thing I can claim exclusive participation in is the introduction



and I propose to read the introduction to you and to read the conclusions, summaries and requirements at the end of each chapter. I will leave it up to the experts as I call them, to answer any technical questions. Before I start, however, I want to say a few words about those who are associated with me in preparing this brief, and first of all we have Mr. Mahar, who is the Chairman of the Toronto Planning Board, - he also as you are aware, occupies the position of Chairman of the Metropolitan Planning Board, and I cannot add anything more to what Mr. Gardiner has already said to embellish Mr. Mahar's reputation, except to say that Toronto is indeed fortunate in having a person of Mr. Mahar's stature, willing to give his time to his city and his country in this way. He has made and is making a great contribution to the life of our city and country.

The technical part of the Brief was prepared under the direction of Mr. Lawson, Mr. Matthew Barr-McNaughton Lawson-- those names may be significant of something -- Mr. Lawson is a professional engineer and planner and is a graduate of Glasgow University, he has studied planning in London and in Toronto and was Professor of Planning at the University of Toronto, and





Professor of Civil Engineering and Planning at the University of British Columbia prior to coming to the University of Toronto.

Mr. W. Wronski, Senior Planner, is a professional planner and economist. He is a graduate of the London School of Economics and he studied at Oxford, and the School of Planning in London. Mrs. Barbara Hardy is Assistant City Planner and Planning Analyst; she is a professional planner and sociologist and a graduate of the University of Chicago and has studied planning at the University of Toronto. So the people whom I have called today our experts have a claim to a very outstanding academic background.

Twenty seven years ago, Mayor Samuel McBride and members of his council prepared the last pre-depression budget for the City of Toronto. The population at that time was six hundred and six thousand, three hundred and seventy. Total expenditures were to be Thirty two million, one hundred thousand odd dollars. If, at that time, a Royal Commission on Canada's Economic Prospects had called for a brief on Toronto's development in the next quarter century, I wonder if Mayor McBride and his associates would have dreamed of the events that were to come. Few at that time could see the era of



terrible want that was just around the corner. Only the most prescient could forecast the long years of war. Was there a single person who could predict the boom of the late forties and early fifties? How would the city fathers of that time have reacted to the principle of Metropolitan government?

I was a member of this city's government in Nineteen Twenty Nine and I have served on council in all but three of the years since that time. What I present today will be tempered by the experience that municipalities in the broad sense are not the captains of their own destinies. I have been a member of the City Counsel for almost one quarter of its corporate existence.

Yet assuming that the national climate is conducive to normal development, one can dare suggest changes which should come to pass.

First let us look upon the province as a whole inasmuch as it affects this municipality. New railways are pushing into our northland; a pipeline is about to be built which will bring fuel supplies to vast, underdeveloped portions of Ontario. The St. Lawrence Seaway is under construction. Exploration of natural resources is being carried





out at an unprecedented pace. The members of this commission are more aware, perhaps, than any other Canadians, of the potential of this, the wealthiest of the ten provinces.

In our more immediate area, there are those who look to the day when a completely urban development will stretch from Hamilton to Toronto, from Toronto to Oshawa and from this city to Aurora and beyond.

The population of thirteen Metropolitan Toronto municipalities last year was one million three hundred odd thousand. It is estimated that that figure will jump to one million, six hundred and thirteen thousand by Nineteen sixty to one million, eight hundred and eight thousand by Nineteen seventy, to two million and twenty eight thousand by Nineteen seventy five and to two million, three hundred and twenty thousand by Nineteen eighty. These figures, however, are calculated on the assumption that Metro shall remain a family of only thirteen communities. I say that other municipalities shall enter the family long before Nineteen hundred and eighty and that the Metropolitan Corporation shall cease to exist. I have said before that we are marching down a straight road to amalgamation and I say now that it is most likely to



come within a decade. It is, therefore, not rash to envision the Toronto of Nineteen eighty as a city with a population of over three millions set as the hub city for one of the most densely populated areas on the continent and for one of the most productive provinces in the world.

Toronto, then, will have ceased to exist as the physical city we know it today. The submission you have received from The Chairman of the Metropolitan Council ventured to describe what the greater Toronto of tomorrow will be. In this brief, I shall confine myself to that area now within our limits, for it is my belief that regardless of other changes, this heartland shall remain the core of what is to come. Regardless of the jurisdiction it falls under, its development problems shall be constant.

Population-wise, it is my contention that Torontoproper shall show little change. In the last fifteen years gentlemen, our population has increased by only about one per cent. Yet ours is a changing population - we are home to the young couples who take an apartment in the central area until they can afford a home in the suburbs. We are the jumping-off point for one in four of the immigrants who come to Canada. Here they find jobs





as labourers and accumulate the nest egg needed for their graduation into other lines of endeavour.

Our city is the settling point for the older folk who wish to return to the amenities of a central location.

We are, and we shall remain, the centre of business. Government, banking, investment, retail and professional services -- all of these and more are concentrated in Toronto. It shall continue to expand and take up land which is now residential or second-rate industrial.

Industry in Toronto, to borrow a phrase, is already undergoing an agonizing re-appraisal. Land is needed for expansion and certain firms are looking beyond our limits for sites. Others are flourishing in their central locations and shall absorb less prosperous neighbours, helping to weed out what can be termed industrial slums. There is still some harbour land available and the advent of the St. Lawrence Seaway shall determine its most economical use. But I would not venture to predict any large scale industrial growth unless new power sources and automation should make large scale operations feasible on relatively small properties. Such a trend could well result in further inroads on areas now zoned for residential use.

In short - Toronto of tomorrow shall have roughly the same number of citizens working in



slightly expanded industrial works and in vastly expanded commercial undertakings. And Toronto shall become the serving counter for hundreds of thousands - even millions more citizens.

In an address in Edmonton last year, your Chairman suggested to us that we should, while considering the future of our communities, take stock of the problems which will face us. In Toronto, such a stock taking was already underway under the direction of Mr. Matthew Lawson to whom I have referred, Executive Director of Planning for the municipality, who is in charge of preparations for the master plan upon which future development of our community will take place. The vast amount of information on this city and its needs which is included in this brief, was assembled by Mr. Lawson and members of his staff. I mention this because I am anxious that you should know that facts and figures have not been drawn out of a hat - that they have been thoroughly researched by one of the most capable community planners in Canada today.

I will only comment briefly upon matters which I feel must be given close attention in any consideration of the position of the municipality in the overall picture of Canada's economic prospects.





Toronto is a city which already must deal with a daily influx of more than three hundred thousand workers - and that number will surely grow in the next twenty five years. Toronto is a city where age and haphazard development have taken their toll - where there are concentrations of sub-standard housing, where there is uneconomic use of heartland - where transportation facilities are woefully inadequate to handle the thousands upon thousands who must be accommodated in rush hours.

To those who would be complacent about services as they exist in Toronto, let me mention one or two sobering facts:

Twenty-eight of Toronto's schools which are still in use were constructed before Nineteen hundred.

Most of this city's housing was built before Nineteen fourteen - ten thousand nine hundred and four houses are in need of major repair; nearly ten per cent of tenants have only cold water, in certain areas of the city fifteen to forty per cent of dwellings are overcrowded.

Any slight disruption in traffic - a relatively light snow fall for instance - can throw our transport system off-schedule, resulting in thousands of late arrivals at work.



The lack of central housing at reasonable prices is so acute that there are some six thousand applications outstanding for accommodation in the Regent Park North project.

Our great university faces the fact that a greater percentage than ever before of our young people are seeking a higher education, yet it has almost no room in which to expand. The Ryerson Institute of Technology which provides valuable engineering instruction is operated in fire-trap buildings which are woefully inadequate for the purpose.

Park lands have been frittered away as school sites or road locations leaving the community with only a minimum of land for recreational use.

These are only some of the things which concern us as we draft a master plan for the future of our municipality. Now in the past we have taken the lead where we could in helping to change the face of Toronto. The City launched the Regent Park North project at a cost of thirteen million five hundred thousand dollars. It not only replaced a cabbage patch of slums, but, as social workers have reported, resulted in a complete change of manner of living for those who are accommodated





there. Delinquency was reduced, crime occurrences were almost wiped out, health standards rose. How does one assess the economic advantages of such an undertaking when proposing similar developments for the future?

This city's transportation commission undertook to build the nation's first subway at a cost of close to sixty four million dollars. The result has been a speeding up of a vital service, a reduction in traffic snarls along its route and an increase in business in the area it serves. How much would the picture change with one or more east-west subways and should they not be considered - for grant purposes - in much the same way as new arterial roads?

There can be no doubt of the worth of such projects - but as Toronto looks to the future - there is natural concern about the financing of such schemes. Our budget has been tripled since Nineteen Twenty Nine, yet we are dealing with a population that has not increased tremendously. How much further can we go alone in underwriting the new Toronto which must be built if it is to serve efficiently as the hub and heart of the great province of which it is the capital?

How many services can we continue



to extend which are not traditionally in the field of the municipality. Relief, health, education - and a score of other costs - have fallen upon the shoulders of municipalities because their governments are the governments closest to the people. I would submit that this Commission may find in the portion of the brief which follows not only an outline of prospects for the years-ahead, but a summary of the circumstances and conditions which justify a new approach to the question of sharing of responsibilities and burdens among the three levels of government.

In looking ahead we find a challenge to all of us. This commission has already rendered a service to the country in calling our attention away from day-to-day routine and focusing it upon the unlimited horizons ahead.

Now I would like Mr. Chairman and Gentlemen, to turn to page thirteen which shows some facts about population.

The City will remain the densely-populated core of Metropolitan Toronto.

A slight increase in population is anticipated - this may be of the order of five per cent over twenty five years.

The family composition of the population is likely to change towards a greater pro-





portion of single people and of couples without children, primarily newlyweds and those whose children have grown up. There will also be a greater concentration of elderly people. A substantial part of the City, however, probably about fifty per cent, will retain a normal family composition.

New arrivals will settle in the City before moving on to other parts of the Metropolitan area. This will mean a higher degree of mobility and the probability that there will be a residue of the poorer families left in transient areas.

The progressive relaxation of immigration laws should also lead to a varied influx from other countries. Europe will probably remain the main source, producing an increase in the proportion of Separate School supporters in the City, but arrivals from other parts of the world could also be quite significant if regulations permit.

Lastly, employment will be primarily in the business heart of the City, in offices and services of all sorts. However, a substantial proportion will work in other parts of the Metropolitan area, in industry and commerce. Also, the City is a suitable location for casual labour.



Those are the summaries and now I would like to turn to the future requirements which are listed in this way:

Firstly, the implications for housing are discussed in Section Five. Secondly, solutions must be found to the serious welfare problems likely to arise in the City due to the concentration of the elderly, the poor, the casually employed and unemployed. While these will be dealt with in later chapters, it is pointed out here that this means a full programme of social security, including adequate pension, welfare and insurance coverage against misfortune, and also good housing at low cost. The anticipated prosperity of the country would make the situation of these groups, and hence of the City, worse compared to others if no action were taken, but at the same time it will make the country capable of bearing these costs. It is our contention, therefore, that such costs should be borne by the senior levels of government, and not by the City. The City is a part of our country where these elements of the population are well located, but it should not be penalized because of this.

Thirdly, social amenities must be adjusted to the demands of the changing populations. Schools and public recreation are discussed elsewhere,





but this applies equally well to shopping, commercial recreation, parks, churches, clubs, and other agencies. Commercial developments can probably take care of themselves, except that occasional use of municipal land acquisition powers may be needed, but others may require more direct assistance. No uniform approach is likely, except that suitable space for those uses should be provided in all major schemes of redevelopment but it would be desirable if some aid were available on the initiative of a local group or the City. Responsibility for this aid would depend on the particular activity but it seems reasonable that in most cases it should be available generally, rather than just in the City, and therefore the responsibility should be that of a senior government. Foundations, or similar agencies, would also be excellent sources of assistance. And you have recent examples of what foundations and private enterprise can do for a City.

Then in passing on to the next subject - Commerce - we say that further expansion of the business centre of the City is anticipated. Separation of functions, as between the downtown concentration and other business



centres will become progressively more marked.

In twenty five years it will probably be very clear.

The present centre south of Queen Street will require new building, renovation and some redevelopment. Most new building, within the next twenty five years, however, will probably take place on sites presently occupied by small buildings. Most of the existing large buildings are sufficiently new so that they should be serviceable for another twenty five years or more, perhaps with some renovation.

A major new uptown centre will develop, around Yonge and Bloor, which will house offices and a major shopping centre. The City will remain the major regional shopping centre, with concentrations at Yonge and Queen and Yonge and Bloor, the latter in particular expanding substantially from its present size. Large suburban centres are likely to take up a great deal of the expanding Metropolitan market so that the City centres will be proportionately less important. However, the greatest choice, and the major concentration of specialty shops is likely to remain there.

And now, what about requirements?

There is a real problem there. The first is that





Commercial development should pay its own way but it is highly likely that the City will have to take positive steps, I say through redevelopment schemes, to ensure that it is soundly organized and to the best long-term advantage of the City. This will mean heavy initial capital expenditures in acquiring and clearing sites for re-organization, and heavy costs in holding sites which are an essential part of any scheme but which are not yet ripe for redevelopment. All of these costs may well be recovered by the sale or lease of sites in such a scheme, quite apart from assessment and other gains, but the financing of the scheme in the first instance may seriously strain the City's finances, or even be beyond its capacity. There is the real problem there. As such an undertaking would be most important in ensuring the efficiency and wellbeing of the City, and of the whole economy, it seems reasonable that loans should be made available from the national government. This would seem to be a sound investment in Canada's future -- and of course the rate of interest would be very important.

Transportation is discussed later in this report but at this stage it should be emphasized that it is of vital importance to the major commercial centres of the City, and that the ability of these centres to serve their proper



functions in the Metropolitan area is heavily dependent on the development of a sound transportation system.

Now we pass on to Industry and you will find the summary on page twenty eight. We summarize the situation in this way - a central location, close to downtown Toronto, has an advantage for certain industries. So has a harbour location. The number of these industries is likely to increase as Toronto grows. Therefore, it should follow that there would be an increase in the concentration of this type of industry within Toronto, provided locations are available.

With the exception of those industries referred to above it is likely that industrial development will be fairly constant in the City.

Certain industrial and warehouse areas in the City are already run-down and obsolete, and have an inhibiting effect on new investment. Others will become obsolete within the next twenty five years. In most cases the present layouts are unsatisfactory and it is likely that redevelopment should be undertaken.

As to requirements we say that improved highway access will be necessary in the





Junction area. This is discussed later under transportation. Several industrial and warehouse redevelopment projects will be required. As with commercial redevelopment this may well pay its way entirely in that sale or lease of land may match acquisition costs, but you can't be sure of that. However, the same problems of straining Municipal credit may arise and again it is desirable that National Government backing should be made available.

Where a project does not provide full recovery, in these terms, the advantages obtained from the redevelopment accrue to the whole economy as well as to the City and, hence there is every reason why such costs should be shared. However - it isn't known at present whether such a situation would arise.

Now turning to Page Thirty Eight and on the subject of Transportation we summarize the situation with a fairly long dissertation on the subject in this way: Rush-hour traffic is particularly intense in Toronto due to the high concentration of employment in the centre. To meet this, and to provide an efficient transportation system for the centre of the expanding Metropolitan area, an integrated system of expressways, parking areas, commuter trains, rapid transit



and other public transit should be developed.

It is emphasized that it is essential that this system be properly integrated and that the rapid transit is the most vital part of it, providing the essential hub to which the rest of the system is related. There seems to be a tendency on the part of higher levels of Government to divorce the rapid transit from the expressway idea. In fact it is an essential part of it and it provides the real hub to which the rest of the system is related.

An expressway network is necessary to meet the following needs : Industrial traffic, commercial traffic, recreation and week-end traffic, shopping, as necessary, random movements to work or for pleasure which cannot be properly served by public transit and collection of workers from low-density areas. These should mostly be encouraged to park and transfer to rapid transit, as indicated above, to reach their destinations.

Adequate parking in strategic locations for access to rapid transit is required. Parking would also be required in other areas but in the centre of the City it should be proportioned to the basic need for essential purposes, rather than for all-day parking.





Present railways seem basically adequate though in twenty five years duplication of and extension of some facilities may be required. The harbour areas are adequate for any likely expansion.

Long distance air transportation is adequate at present. Malton airport is well located for further expansion but within twenty five years there may well be a need for another major airport; the island airport should meet the needs of smaller planes and executive aircraft for some time but it is likely to become so busy that a second airport will be required elsewhere for this traffic. Helicopter traffic will increase and be widely employed, though its use in the centre of the City to any extent will be dependent on the development of improved types and adequate methods of handling air traffic.

Secondary traffic arteries will require improvement and organization to fit in with major networks mentioned above.

In particular as to requirements, we say that assistance should be made available equally for all parts of an integrated major transportation network. This is largely outside the immediate responsibility of the City but it is vital



to its future.

Provision should be made in ample time for expanding airport facilities. These should be a national responsibility, and I think that is recognized.

Now we turn to housing which we summarize in this way; there is a serious shortage of housing in Toronto, especially of moderately priced housing, and consequently a great deal of houses are overcrowded in the central areas. Much of the present housing stock is old and it is estimated that approximately eight per cent of it already needs replacement. Depending on the decree of prosperity and the measures taken to maintain the quality of housing, it is probable that another forty per cent of it might need replacement within the next twenty five years.

Reference to the section on population will indicate the family composition for which housing will be required. Already a high proportion of housing in the City is in apartments and flats and this is likely to become even higher. There is a serious shortage of housing suitable for elderly people, which will become more pronounced, and there is also a great need for suitable accommodation for new arrivals, especially families,





as a jumping-off point for establishing themselves in the Metropolitan Area.

Part of this demand might be met by conversions of existing property. However, so much of that is likely to need replacement, especially in those areas where pressures indicated already, will be greatest, that it seems doubtful whether this would be worth while, or satisfactory, in many cases. In general, only a positive housing redevelopment programme aimed at meeting the needs of those groups is likely to produce satisfactory results in the long run.

The increasing concentration of low-income families in the City makes it imperative to provide low-cost housing for them. Old housing in the City is not inexpensive and even if it were, there is a growing disparity which will increase rapidly in the next twenty five years, between the supply and the demand for inexpensive accommodation.

We now set out the requirements which are - a housing policy aimed at providing the proper accommodation for the anticipated population, is essential. Adequate means to implement it must also be available. Due to the fact that a high proportion of the anticipated population will have low incomes they will be unable to afford the



full cost of new housing, which means that subsidies must be available. The extent of the problem also means that much of the replacement of housing should be through redevelopment, not only to ensure that the areas are re-organized as soundly and efficiently as possible, but also because, without this, replacement would not take place until existing properties had become very bad slums and would then take the form of the most profitable type of development only, probably unsuited for the population indicated. Redevelopment powers are generally satisfactory for this purpose though procedures could be simplified and a closer integration with the Official Plan assured. Financial aid, however, is inadequate. The major costs are site acquisition and operating subsidies, and, in view of the magnitude of the task, either of these could be prohibitive to the City.

Sites for residential redevelopment almost always have to be subsidized. This is especially true in a period of high demand, such as is likely to prevail here during the next twenty five years, and at a time when areas have reached an optimum density and have to be redeveloped to a similar density, as is the case in many parts of Toronto. The benefits obtained from re-





development are the improvement of living conditions, the improvement in layout and type of development, an improved financial picture due to greater efficiency, increased assessment and also fewer social problems, and, above all, the ability of the area to serve its proper function. The significance of these extends well beyond the City and it is only fair that a large part of the initial site acquisition subsidy be borne by senior levels of government. This should apply to any approved scheme and not only to the few cases covered at present by the National Housing Act, Nineteen fifty four.

Similar arguments apply to the operating subsidy, though with even greater force. Here, the only reason for the necessity of providing a subsidy is that it is the proper function of the project to house people who cannot pay economic rentals, and this proper function is based on considerations of a regional and national character. It is only fair that the subsidy should be handled by the senior levels of government. There is no justification however, for the municipality giving a reduced tax rate on such projects as is required at present. The full scale of municipal services has still to be provided.



In addition to the above provisions for public housing, every encouragement must be given to private investors, philanthropic bodies and the like, to participate in residential redevelopment. The present limited dividend provisions of the National Housing Act, Nineteen fifty four, are good except that they are too rigid and specify a fixed rate of interest which is not attractive to developers when they can get as good a return by simple, safe investment. This policy should be reviewed.

It is possible that a preferential mortgage rate might also be offered to those participating in redevelopment schemes. This could be justified on the grounds that the investment should be more secure and that the purpose of the scheme as a whole was not merely to make a profit, but also to serve certain social objectives.

Private home-owners should be encouraged to participate in redevelopment. Present provisions are all aimed at large rental projects, but with the extent of redevelopment anticipated there is no doubt that there should be a place for home-owners also.

At present preferential mortgage rates are available for approved rental projects





so that better accommodation can be provided for the money, in such rental projects than could be obtained by a private home-builder. To overcome this, consideration should be given to a lease-purchase arrangement at rates comparable to the rental projects.

Every encouragement should be given to owners to maintain their properties and carry out any conversions that may be desirable. The most satisfactory way would be through making available loans at a preferential rate of interest.

In some cases the best policy where property has deteriorated, largely through overcrowding and mismanagement, but is not yet ripe for clearance and redevelopment, would be for some government-approved agency to acquire and manage it until such time as a redevelopment were carried out. This would, however, take a great deal of capital and it is suggested that for this purpose loans should be available from the national government at favourable rates.

The social effects of extensive redevelopment should be carefully considered. It is undesirable that a large part of the housing in the City should consist of a continuous series of large rental projects, especially if these were



all public housing schemes with income limitations and under the same management. A wide variety of type of redevelopment is considered preferable and to this end it is suggested that measures available in the National Housing Act, Nineteen fifty four, and elsewhere, be reviewed and, where necessary, revised to ensure that they make all necessary types of housing possible, and that through their use the most desirable forms of residential development will be possible to achieve.

Now we step from that very quickly to education, and we summarize this subject on page fifty eight. After a slight increase during the next few years it is expected that the school enrolment will stabilize or decline slightly. However, the peak of enrolment has not yet reached the secondary schools.

Of the eighty six public schools in the City, twenty eight need replacement or modernization now. It is likely that in the next twenty five years as many again will need similar action. High schools are generally newer than primary schools, but it is probable that several of the nineteen secondary and vocational schools will require substantial investment.

Schools are mostly very deficient





in open space for playgrounds and playing fields.

The University and other post-school education centres must expand and demand is high and will continue to rise.

The proportion of children attending schools operated by Separate School Board is likely to increase.

And the requirements are that all education should be regarded as the financial responsibility of senior levels of government, and not of the City. The budgets of the School Boards should, therefore, be met from other sources. This is regarded as the only equitable way to provide sound education everywhere.

There should be proper provision for school, including adequate school sites, in redevelopment schemes. This is an expensive, but necessary, provision and adequate assistance to carry it out should be provided by senior levels of government.

From there we step over to Health, Welfare and Recreation and we summarize what has been said before in that a national health insurance scheme may well be developed in the next few years which would change the public health picture greatly and relieve the City of many services which, it is felt,



should not be its financial responsibility.

Clinics for schools and other patients might still, however, be operated by the City and this service would probably be greatly expanded if it were available to all.

Hospitals in the City will probably be expanded greatly in the next twenty five years. They are likely to remain the major group of Specialist hospitals of all sorts to serve the Province and even, to some extent, the whole country, as well as providing general hospital facilities for the City and surroundings.

The likelihood of the City having a high percentage of elderly persons is indicated in the section on population. The main needs of this group are adequate pensions to enable them to live decently, proper housing, and such aid and assistance as they may need to look after themselves. In addition, provision must be made for the senile and the chronically ill. Financial responsibility for these provisions should rest with the senior levels of government, though the City might administer some of them,

The probable concentration of unemployed and casually employed people in the City requires special attention. Adequate insurance





and relief is essential, and, despite the offer of the City to share in this relief, it is considered proper that this should be provided for entirely by senior levels of government.

Suitable hostels are required for transient single men without means. It is difficult to tell how much of a problem this will be in the future, but it is likely to grow with the expansion of the country, especially as the growth during the next twenty five years will be accompanied by a great deal of population movement and immigration. Such hostel provision should be on a national basis though they might be administered locally.

Community welfare centres will probably be developed during the next twenty five years, especially in those areas where redevelopment is undertaken. These will provide for a range of welfare and public health services in their areas and should be an important feature in their communities.

Leisure time is likely to increase substantially during the next twenty five years, and, given continued prosperity, there should also be more money available to spend on it. The demand for hobbies, adult education and other leisure



activities, as well as pure entertainment, is likely to increase so that there should be a great expansion in facilities for them. Such facilities are at present inadequate.

Parks should be substantially increased over the next twenty five years, as an essential part of redeveloped residential areas and to provide for expanded indoor-sports and recreation.

The requirements we urge are all social welfare services should be put on a sound basis of adequate coverage and should be accepted as the financial responsibility of senior levels of government whether administered by the municipality or not. I hope I have made my point on that.

THE CHAIRMAN : I think you have - I was just wondering what you had left ?

MR. PHILLIPS : And proper provision for parks, health, welfare, recreation and cultural facilities should be made in redeveloped areas. Financial assistance should be available from senior governments for at least those parts provided for health, welfare and educational services.

Now if we can step over to page seventy, with respect to planning and development,





we summarize that important subject in this way - the situation of the City of Toronto as the centre of the region will change greatly during the next twenty five years and it will be called upon to fulfil new functions. At the same time society is changing rapidly at an accelerating rate, so that even the best organizations for such a centre is bound to change.

Sound planning policies must be adopted and adhered to if the City's organization is to be satisfactory. Such policies should be agreed to and adopted by all levels of government to ensure proper co-ordination.

To develop the City properly over the coming years the following are essential, (a) the ability to carry out all necessary public works - adequate powers are generally available but financial aid is needed in many cases. (b) All available facilities must be used to the full. Perhaps the most conspicuous instance is the need to be able to develop commuter train services, for, without those, an extensive additional system of transportation would be necessary, largely duplicating the service the railways could provide. Similar measures can apply equally well to schools, community halls and the like.



The next point (c) is the ability to acquire and clear land as necessary for public works and redevelopment. The powers available are generally satisfactory although procedures could be simplified. Financial provisions are, however, still lacking. Comments which I will make under (f) should be noted. And next (d); freedom to use redeveloped land for its proper purpose in the City plan. This is not so much a matter of legislative provisions as of making sure that available financial assistance encourages such a course. (e) The ability to have the necessary developments carried out in areas cleared for redevelopment. This, again, is largely a matter of making sure that financial encouragement is given to the City or to private developers to participate.

Now coming to (f) - the ability to acquire land progressively in areas designated for public works or redevelopment projects to prevent the frustration of plans by premature piecemeal building. Satisfactory powers and simple procedures would be necessary for this, but above all the City would have to have the financial support of senior levels of government as its own resources are likely to be





inadequate,

Now as to the requirements on this subject we say the necessity to the Province and the nation of keeping cities like Toronto sound, efficient and satisfactory places, should be recognized and all necessary legislative and financial powers made available to enable a vigorous policy, commensurate with the needs, to be adopted and executed.

The great need for basic research on problems of city development is emphasized. Being of national significance this should be financed and organized by the Federal Government.

Basic information needed in preparing plans should be provided by the national government. Already a great deal is provided through the Dominion Bureau of Statistics and this could be progressively improved to meet the needs of cities. However, there is a very serious shortage of good maps. The Department of National Defence maps are excellent for most parts of the country but it is evident that in cities much greater detail is required. A scale of approximately one hundred feet to an inch showing all buildings and important features is suggested. This



would be a most valuable supplement to the census information of the Dominion Bureau of Statistics and an excellent stimulus to sound planning.

The City, the other levels of government also, will have to develop the necessary administrative organization to handle development. There will almost certainly be difficulty with staffing, especially in the early years, and it is urged that all necessary steps be taken to encourage the training of qualified personnel.

It should also be emphasized that in establishing organizations and legislation, clear and sound procedures should be set up. At present, for example, procedures in Ontario are complicated by the fact that responsibility for planning matters is divided on the provincial level between two bodies, the Department of Planning and Development, and the Ontario Municipal Board; also the legislation is in two acts, the Municipal Act and the Planning Act. Simpler and clearer procedures and responsibility would be preferable.

Now finally we come to the question of taxation and finance, to which I have referred indirectly a few times. On page seventy five we summarize this important subject in this way -- the structure of municipal responsibilities and expenditures is undergoing a significant





change, and it is not accompanied by a corresponding change in fiscal legislation to enable them to face future demands.

There are no means available to older municipalities for any easy increase of their revenue. Increased rate of taxation cannot be treated as politically and ethically desirable method of improving municipal finances. Redevelopment is essential and should improve the position to some extent, but if proper assistance is not available it could also create a burden of debt and operating expenses.

There is an urgent necessity for a revision of the basis of national revenue distribution. And I have this observation to make, not in the brief. This is a very wealthy centre but the City, as a Government, gains only in proportion to the increase in property assessment - we must have assessment. This is not in proportion to the increase in general prosperity, which through other taxes, reflects more accurately in the Federal and Provincial taxes. The table on page No. Seventy four shows, gentlemen, the shift in distribution of fiscal revenue, which has already taken place, and you will see that in Nineteen hundred and thirty the distribution was in this



proportion; Forty point five per cent Federal, twenty point two per cent Provincial and thirty nine point three per cent Municipal. It gradually goes up until in Nineteen fifty one the Federal distribution is seventy point nine per cent, Provincial is seventeen point two per cent and Municipal eleven point nine per cent. This indicates how badly off the Municipalities are, and perhaps accounts in large measure for the many times during my presentation that I have asked for assistance from higher levels of Government. Municipal responsibilities break down into three categories, there are services to property which is partly a Municipal responsibility - Social services and I say without hesitation that they are the responsibility of higher levels of Government and then there are Development Services and I think that they can be taken care of by a joint effort of the Municipalities and the senior levels of Government, but if the obligation for social services is taken away from the Municipalities I think that the Municipalities would have no difficulty in providing those things which the Municipalities require for the enjoyment and comfort of their people.





I have been calling for a new Magna Carta for a long time on that subject.

Now next I say there is a need for the creation of a government lending fund which will allow the municipalities to escape the competition of the high interest money market.

I say there is a need for the revision of responsibilities - especially in provision of services of general benefit - between the municipalities and senior levels of government. This can be done either through direct action on the part of the latter, or through provision of unconditional grants to municipalities for provision of those services. I don't like hand outs because they can vary with the digestion of those who have the giving out of those hand outs or grants. I don't think the Municipalities should be placed in a position where they are receivers of alms. They have a function to perform and they should be permitted to function normally, and the fourth requirement is to provide immediate financial relief; it is suggested that the municipalities be freed of the Federal Sales Tax on their purchases and that all governments and government agencies pay for the municipal services supplied to their property in the same manner as all other consumers of such



services. That is not new to you, and that was dealt with earlier by Mr. Gardiner. Finally there is a short conclusion which I would like to submit to you. At the beginning of the brief the general prosperity of the country and the City's share in it was outlined. There is no doubt that the City has indeed reaped the benefits of the country's vast natural and man-made resources. And yet, it is difficult to regard the City's future without concern about its financial position. Monies derived from municipal taxes and Federal and Provincial Government grants are insufficient to meet the ever-increasing responsibilities facing the City, the scope of which was not anticipated twenty or even ten years ago.

It appears that if the present level of prosperity continues there will be no shortage of private capital for business and other developments in the City provided that theyield is reasonable. However, the attractiveness of investments elsewhere, especially in the development of natural resources, may create serious competition for available funds.

The City, however, has the responsibility of providing an ever-increasing range of expensive services from limited financial





resources. At the same time there is every indication that a growing range of City expenditures will be required to bring about changes and development necessary to meet the needs of the future. Many of these expenditures may be in the nature of "pump-priming" investments which will eventually repay themselves, but may nevertheless be beyond the City's credit capacity. Expenditures which do not give direct returns may also be "pump-primers" yielding indirect returns, in fact, they should be so, if they are to be justified. Nevertheless they may also be beyond the City's financial capacity. Assuming that these investments and expenditures are justified there is no doubt that the City should be able to obtain assistance, either in grants or loans, to carry them out if its own resources are inadequate. The principle has already been established in some instances. It remains only for a broad, balanced approach to be recognized and for the basis of assistance to match the need.

Specific examples that could be mentioned are that the present housing legislation, good as far as it goes, leaves many gaps in the housing field, and that assistance is



only available for clearing land for redevelopment in very restricted cases. Assistance for public works is also available only on a partial basis, as, for example, for expressways, but not for parking or rapid transit.

City responsibility for other services also requires serious consideration. Unemployment, education, health, welfare and recreation are all heavy burdens for which a system of varied grants is available. Many of these issues should be re-considered to see whether the financial responsibility is properly apportioned. Even it were politically impossible to make adjustments at present, it would be of great assistance if the general principles were set out so that they might be implemented at the opportune time.

This submission may appear to be pessimistic with regard to the City's ability to meet the demands which the future may bring. However, it is hoped that it will not be taken as the plea of a bankrupt trying to shed its responsibilities. On the contrary, it is meant to be a sober and frank self-examination by an administration conscious of its great responsibilities and hoping for some improvements





in the general framework of governmental institutions within which it has to cope with the changing economic and social conditions.

All of which is respectfully submitted and if you have any desire to submit any questions of a technical or scientific nature Mr. Lawson will be happy to answer them.

THE CHAIRMAN: Thank you very much Mayor Phillips. You certainly took up a lot of issues in these seventy eight pages - which are a very helpful contribution to the work of this Commission. I would like to ask a few questions and the first one relates to what is stated on page sixty six, in paragraphs four five and six - where you refer to adequate insurance and relief for people who are unemployed, the provision of suitable hostels for transient men without means, and community welfare centres. Now as I understand it, there would be general approval presumably -- and I don't want to be too wide on this -- but in this area there would be general approval of the broad policy of full employment and the various measures which are necessary to ensure its success, -- these incidentally include a high level of personal and corporate income tax -- and that the Federal Government must, of necessity,



because no other level of government could do this effectively, accept major responsibility for promoting and controlling such a full employment policy, through physical and mental policies, social security in all its forms, agricultural policies and so on. Now as I understand it, it follows from that, that you feel that the Federal Government should accept major responsibility in the areas and in the seasons when this full employment policy is less than completely successful. We all know that it can't be completely successful in all parts and in all seasons. Now am I right - first of all I would like to know if I am right in that preamble?

MR. PHILLIPS: Yes.

THE CHAIRMAN: And then I would like to ask this question - does this mean that in this part of the country it is admitted and it is expected that the Federal Government should take the major responsibility in certain areas? We have the sort of areas I have been talking about and we have just come from a part of Canada where I don't think we have any reason to believe that that view is held by all and sundry. It may be held by some people, but not all. Now do you think I am reasonable in





deducing from your Submission here, that first of all the Federal Government - as you have said - should in your opinion accept responsibility in those areas and presumably, its responsibility is to introduce measures which are essential to a full employment policy?

MR. PHILLIPS: We have said in our brief "senior levels of government" - we made it general and it could be by participation of both senior levels.

THE CHAIRMAN: I see - well I don't think perhaps we should get into that kind of issue here --

MR. PHILLIPS: No - that is a matter they will have to iron out but there is no reason why the Municipality should suffer in the meantime through no fault of the Municipality. That is just about the way I see it Mr. Chairman, in a general way, that we are suffering from an antiquated taxation system - the Municipality is governed by what is known as the old Baldwin Act and when that Act was enacted there was no unemployment, hospitals were practically unknown, that is, hospitals as we know them today -- education was on a very low standard and taxation was providing for those things which were necessary to develop



a municipality - roads, water, whatever parks there were - and gradually, over the years, one thing after another was inflicted - we use the word inflicted - upon a municipal government and the obligation of the property owner. The property owner has become so used to paying these things and the higher levels of government have become so used to inflicting these things upon the municipalities, that they forget what the origin of taxation was. I say it is time to have a re-appraisal. If in the beginning, anyone had suggested that the taxpayer - the property owner - the backbone of the nation and the backbone of the municipality - was going to pay all these things, there would have been a revolution. It was never anticipated - but over the years one generation after another have forgotten what the origin of taxation was, and I say this is the time for re-appraisal. I think it is only fair that the higher levels of government - I make it plural - should absolve the municipalities from taking care of education and social services.

I think when a person is educated, he is educated for the benefit of the nation, for the benefit of the entire nation, and it is not the responsibility of the man,





sometimes the big man, and sometimes the little man, who owns a piece of real estate which he has developed. That in substance is the point that I am trying to convey and if I have mentioned the senior levels of government or suggested, more times than you thought necessary, the idea that the senior levels of government should take over some of these financial responsibilities - I have done it intentionally. This is because I think we are dealing with sincere and genuine people and unless something is done, we are going to have turmoil here in the municipalities, where the municipal government is closest to the people, and they look to us for everything, we can't tell them "No". If a person is starving he comes to the municipal government. We can't send him over to Premier Frost. The Mayor of Toronto has got to provide because he is the man on the job to provide to the best of his ability; but the other levels of government should recognize their responsibility.

THE CHAIRMAN: I don't know in view of those remarks, whether you will fully appreciate what I am about to say Mr. Mayor, but on page thirty four there is a reference to commuter trains. We had, last week, before us



The President of the Canadian National Railway and we asked him some questions about commuter trains and he said he had a few commuter trains he would be glad to supply but the municipalities were going to benefit from them, so they would have to pay for them - perhaps Mr. Lawson has some ideas on that subject?

MR. LAWSON: I think as a matter of principle we can agree Mr. Chairman, that provided a commuter service is a subsidized one, there is the same responsibility as was mentioned by Mr. Gardiner, in providing the rapid transit service. It may cost you money - you may in fact have to subsidize it - but if that is the proper system, that you have to have to function properly, that is the case you have to meet. It may very well be, that through providing a subsidy on the one hand, you are saving yourself great expense on the other,

THE CHAIRMAN: Thank you very much. One should not ask detailed questions, I suppose, about these things, but I would like to mention that I looked through your submission and I did not see anything about the question of smoke in this city. Is the control of the smoke nuisance one of your problems?

MR. PHILLIPS : That is on the





Metropolitan level is it not -- but that is a problem.

THE CHAIRMAN : I should have asked Mr. Gardiner.

MR. PHILLIPS : It has been handed over to them.

MR. STEWART : On page fifty nine you have a requirement with regard to education and I understood from what you said a moment ago that you do think that education should be the financial responsibility of a senior government?

MR. PHILLIPS : Yes.

MR. STEWART : But what is the precise significance of the sentence "The budgets of the School Boards should be met from other sources." Does that mean that the Metropolitan School Board would requisition on these senior governments ?

MR. PHILLIPS : Well merely that School Boards would continue to exist and they would get their money from the senior levels of government.

MR. STEWART : It is not quite as simple as that--

MR. PHILLIPS : Well it would be but that is a matter to be worked out between the School Boards and the levels of government who are providing the monies. They have very little



trouble with the Municipalities. We have no say. They make up their budget and it is submitted to us and we have got to tax the properties owners.

MR. STEWART : Well perhaps the question I really wanted to ask you, is, do you think that the Cities should direct the education within the Cities or do you feel that that responsibility should be turned over, along with the financial responsibility, to a senior government ?

MR. PHILLIPS : Well I suppose that those who pay the shot should have a say, on that question, but it is something that would have to be worked out. I am not competent to express an opinion as to the working out of it. The School Boards are at present autonomous - you know that ?

MR. STEWART : I know they are.

MR. PHILLIPS : And perhaps the senior levels of government would be as generous and the municipalities are today.

MR. STEWART : We have had it suggested to us elsewhere that the Provinces should take over education -- I just don't think the Cities would like that.

MR. PHILLIPS : I think that the people would want some local responsibility. At





the present time -- I haven't sat down to figure this out -- but we are told that the Provincial government pays fifty per cent of the cost of education on the overall picture. Now Toronto doesn't get fifty per cent -- far from it. But we are told that the Province actually pays fifty per cent of the education bill of this Province. There may be some locations where they do pay ninety per cent of it -- perhaps. I don't know! But if they do, as we are told, pay fifty per cent we would certainly like to get fifty per cent in Toronto. That is not the way it works out. Mr. Lawson has just told me that it ranges from fifteen to eighty five per cent, but we get the fifteen per cent, do we ?

MR. GRAUER: In other places particularly with relation to housing, you refer to the increasing concentration of low income families in the City and also the fact that a high proportion of the anticipated population will be low income groups. Fitted into the general background of industrial prosperity that has opened up, that sounds a little odd, but no doubt it refers to the changing makeup of the population that you expect to have in the City Core -- is that correct ?



MR. LAWSON - Yes, that is correct.

MR. GRAUER - So that those incomes would in some cases be quite low - such as pensioners. Could you give us some idea - taking the city as a whole - where do you see the upper family or unit - including a single person who might be alone - income going? I find it a little hard to size up just what you mean by low income families ?

MR. LAWSON - You have mentioned the pensioners - who would be very difficult cases in many instances, even if pensions were made commensurate with the cost of living today. Then the central location of the city is very good as a location for the type of labour which is casual labour. They have a large pool of varied jobs - different types of employment available in the central location and they can get readily to wide varieties of employment in other places and most of their contacts for employment are in the centre. So that people who are looking for casual employment are generally well advised to stay fairly close to the centre where they can take up employment for a few days here and there. Those people generally have a low overall average income and it is anticipated that with the growth of the Metropolitan area and the growth of the country,





that the whole city will still have that proportion of these people - that proportion may remain stationary but the metropolitan area may become greater and greater in relation to the city itself. These people are people who are generally speaking, well below average in the way of income and as your general standard of prosperity rises - so the cost of housing and other things rise too - and if anything, you get greatly increased prosperity meaning that these people will have a little bit more money in their pockets, but they are still proportionately very poorly off, and unable to provide for themselves, either with good housing or other similar services. So then it gradually devolves on the municipalities to provide for them -- or provide assistance for them of one sort and another and it becomes quite a heavy strain on the municipal budget.

MR. GRAUER - You do see some of this actually going on, do you ?

MR. LAWSON - Yes, at the present time -- in fact the City, as compared with the Metropolitan area -- the rest of the Metropolitan area, has seventy eight point six per cent male widowed pensioners who are receiving less



than three thousand dollars a year as compared to sixty two point four per cent for the rest of the Metropolitan area. This is a factor which we expect will become more and more emphasized as time goes on.

MR. GRAUER : On the same line there is a reference to pensions - more adequate pensions - we have a certain type of pension system or law in this country that is not intended to give a pension adequate to sustain an ordinary minimum standard of living, obviously. Do you have in mind introducing some other type of pension scheme or just what does "adequate pensions" mean here ?

MR. LAWSON : What that means here essentially, is that the feeling is that the basis of pensions should be reviewed. That it is no longer true that people who are on pensions generally have an additional supplement to their income and that especially with the growth of the area and the tendency for greater concentration of people on pensions in this city to develop - that the more concentrated these pensioners become, the less likely they are in fact to have a supplement to their income. So that the basis of the pension should be





reviewed, to make it a pension which will in fact meet an ordinary cost of living on a minimum standard. The percentage of people in the City over sixty five, in Nineteen fifty one, was ten and a half per cent as compared to six point fifteen per cent in the rest of the Metropolitan area and between Nineteen forty one and Nineteen fifty one, it had risen from seven point seven per cent to ten and a half per cent. So it does give rise therefore to a very serious municipal problem apart from the problems to the people themselves.

MR. GRAUER : This and some of the other recommendations that are made - as we all know - are very costly, adequate pensions, cost of education, cost of health insurance, and that sort of thing. If there were a question of alternative expenditure, that is, if the senior governments felt that they couldn't do all these things but could do some of them - do you have any opinions on the order in which these things should come ?

MR. LAWSON : That is quite a question to answer.

MR. GRAUER : Yes.

MR. LAWSON : There is no doubt from the point of view of the health of the



municipalities that the availability of money for development purposes is absolutely essential but I believe that this would prove to be a relatively small capital expenditure item.

There may be considerable lending on credit involving the availability of loans at moderate interest rates, but I don't think it would be proved to be an enormously expensive item.

When it comes to the question of which of the various insurance or social service expenditures might be taken up, I think that the two which are most conspicuously outstanding in a city like Toronto, are old age pensions and unemployment relief. The extension of unemployment insurance or provision of adequate relief for unemployment. These two raise very very serious social problems in a city like Toronto and consequently - in the long run - they can raise very serious financial problems also.

THE CHAIRMAN : Thank you very much Mr. Mayor -- we are most grateful to you and your Associates. The next submission will be from the Textile Workers Union of America and we will take a short recess before proceeding.

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Recess

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After            Recess

THE CHAIRMAN :            Can we come to order gentlemen.            As I have said on other occasions, This commission is very much indebted to Organized Labour for the very great help which they are giving us.            Both the Trades and Labour Council and the Canadian Congress of Labour have undertaken to prepare for the commission, as a contribution in the public interest, two objective studies, which we expect to publish as a part of the report of the commission.            In addition, they will be presenting briefs and we have also received in other centres a number of extremely thoughtful and helpful briefs from Labour organizations, for which we are indeed very grateful.            I would like today. Mr. Daoust, to extend if I may a very special welcome to Doctor Barkin of New York, whom most of us have known, by reputation and through the clarity of his writings, for a number of years.            It is now a very great pleasure to meet him in person.

I may say that tomorrow we are to receive a submission from Professor J. K. Galbraith of Harvard, to which we look forward, and I believe these two gentlemen may be the only two American residents --- there will be Citizens of the United States who live in Canada -- but I think they will be



the only two residents of the United States who will be appearing before this Commission. We are indeed fortunate that each is a distinguished representative of his respective field and we are very pleased to have you with us Doctor Barkin. If you would like to proceed Mr. Daoust we will carry on.

MR. DAOUST : Mr. Chairman and Members of the Commission, before I start I would like to give you the names of the people we have with us today so that they may be included on the record. Mr. Eric Skerett, President of the South Western Joint Board in Hamilton, Mr. Stanley Guy, Vice President Local 1314, Hamilton, Mr. Jim Davidson, Executive Member of Local 1314, Hamilton, Mr. Edward Clooney, of the Canadian Office of the Textile Workers Union, Ajax, Miss Olive M. Smith, Local 1002, Toronto, Mr. Ralph McIntee, President and Business Agent of Local 806, Cornwall, and Mr. Ferdinand Branchand also of Local 806, Recording Secretary.

We appreciate the opportunity to present the problems of the Textile Industry and workers. We have suffered from mill closings and unemployment in the midst of general prosperity. We have been the soft spot within the economy. While other industries have been granting their workers wage increases and improvements in fringe benefits, we have had to face demands for wage reductions. These we have resisted, because industrial problems should not be solved through





wage reductions. Management should seek the answer to its industrial problem through improvements in its operations, greater efficiency and better and more varied products.

While we have successfully resisted such demands and secured slight improvements in worker benefits in individual plants, we are faced with competition from employers of unorganized mills, who have reduced wages and lowered the standards for employees. Wage and labour differentials between the Provinces and the organized and unorganized mills, continue to undermine stable industrial relations. We urge you to consider the problems of nation labour standards, and specifically to review the need for Federal minimum wage legislation, to eliminate wage competition at the expense of the unprotected low income worker of this Country. We hope that you recommend such Federal minimum wage legislation for this Country. We are ready to submit any additional data you may need on this subject.

We have offered testimony to Government bodies on the economic and industrial problems of the Textile industry. We have reported mill closings and the effects of the flood of imports. The Government has taken little action to protect this industry and its workers from the damaging impacts which these imports have had.

Your committee is charged with the



responsibility of reviewing the broad economic problems and the future of this country. In such deliberations, it must include full examination of national policy respecting the textile industry. We believe that the Government should radically change its attitude from that of indifference to its fate, to one of specific concern for its continued existence, instead of bargaining it off to other countries; it should be protected. This industry is vital to the economic development of the country. It should not be sacrificed because of the specific pressures of other competitive interests.

This Commission can help redefine a more constructive attitude to permit this industry to graduate out of the current era of turmoil into a period of growth and progress. A more sympathetic government policy on foreign competition and minimum wages, can contribute substantially to this end.

We have asked our Research Director to be with us to help us to present the data and point of view of our organization. We believe that his wide experience and intimate knowledge of the Textile industry will be helpful to you. We shall be glad to assist by every means possible to provide you with any additional information you may find useful for your examination. And now Mr. Chairman and Members of the Commission with your permission I will present Doctor Solomon Barkin.

THE CHAIRMAN : Thank you Mr.Daoust.





DR.BARKIN : Thank you. While the Members of the Union participated in the preparation of the more general statement which the C. C. L. is presenting to you at one of your Sessions - I believe in Montreal - we have taken the initiative in requesting the opportunity to present this problem to you, because we believe that in this country, as well as in mine, the specific deliberations about the future of a basic industry like textiles - independent of the broader economic trends - can give an even greater insight into the nature of your economy and to the problems with which you are confronted.

The reason the textile industry has such merits for this special type of treatment, is that it is one of the oldest industries and, as this statement indicates, it is undergoing vast changes to which many of the Members of the industry, on the employee and operating side, are not fully attuned and for which the employees are not always completely prepared. The result is that much of the anguish of industrial change - on both sides of the fence - is most clearly seen here.

We are really the arena in which the commitments of the past are being most carefully evaluated and the obsolete nature of law and economy is most readily seen. I felt most sympathetic with the observations of the Mayor who observed that the tax system was somewhat obsolete because many changes had taken place. I have often felt the same about many of the managements and the



and the nature of our industry. Many of its leaders are not completely sensitive to what is going on, and it is for that reason particularly that we need a public forum - both to help them and to help our membership - as well as to help the Government in shaping policies with respect to this very vital industry.

I have read and spoken to Canadians about the role of Americans - that is, from the States - in participation in the trade union movement and in the industry, and the role they can play - the way in which we, in our respective positions, can make real contributions in defining trends within this country, contrasting them with those in the United States, and representing the respective interests of the people with whom they are associated. We are in no difficulty in separating our specific representations and our broader points of view. I am here trying to present both, within a very specific statement.

The problem in Canada, with respect to the textile industry, is very clear. Before proceeding may I say I will avoid reading my statement - knowing that you have it at your disposal - but attempt to high light some of the main points, hoping thereby to prompt questions and discussions of the crucial issues rather than of the specific statistical material employed in respect of the main thesis.

The fundamental problem of an old





industry such as the textile industry, is how much is it to be assisted through, or in, its transformation, its modernization - and how much is it to be protected from the on-slaught of competition, international and domestic, and the effects of such competition. This I think will be clear as we review the changes which have taken place.

There has been displayed, in the past, an attitude on the part of the Canadian Federal Government, that the textile industry could easily be a scape-goat in the exchange bargains on the levels of international trade; particularly when it was necessary to provide opportunities for trade and to balance payments with respect to foreign countries. We believe that that point of view, as it became - if ever justified, to the extent to which it has been advocated - and is becoming increasingly obsolete. I believe that your Commission will contribute substantially to the re-orientation of the entire nation on that particular point, as you disclose the radical changes in the nature of the economy with the development of the extractive and natural resources, as well as the great development within the economy of the secondary industries, designed to fabricate and manufacture the products of the extractive and minor industries.

The textile industry, we know, is a very crucial one in each country. No country can afford



to see its complete abandonment. No country can afford to be without a textile industry. Every country in the world - or practically every country in the world, if not every one - has maintained its own textile industry. One of the consequences of that development has been that all older countries -- that is, countries with older textile industries - have had to submit to the fact that their external markets have been shrinking and that the volume of international trade in textiles has been declining and declining most sharply.

The result is that countries which have been traditionally export countries, like those of Europe and Japan and now India, will always seek markets where they can maintain their exporting outlets. The fact of the matter is that sooner or later these countries will lose those markets, and will have to shrink their own industries.

We have seen most outstanding examples in Europe of this development, while England first lost her external markets - most of them - during the inter-war period, she has lost more since the end of the war and is even losing her own domestic industry - in the cotton area - because of the import of large volumes of fabric from both India and Japan.

It is our belief, both on the part of the Union, with respect to our representations in the United States and in this country, that quite a different approach





must be directed towards the economics of the textile industry as against that of other industries. The shrinkage of international trade betokens the level of self-sufficiency with which the national economic policy must be reconciled and the older concepts of free trade and bilateral trade must be considerably set aside in order to reconcile them with the realities of trade in this area of our industrial life. Moreover - in this country, the textile industry as in other countries, is an essential part of its national development. The apparel, clothing for industrial uses, and domestic uses of textiles, must be reconciled with the way of life and the standard of living and the general attitude of culture prevailing in a particular nation.

That is not an original concept or statement, because in the very nature of the development of this country, the textile industry immediately adapted itself to that very fact. The products which were made in the early textile plants in this country, up to the world war one, and through most of the inter-war period, were products which were peculiarly designed to fit the habits of life, the weather, and the standard of living in this country. In this period of change, through which the industry is now passing, feeling the impact of new fibres, new methods of production, new management ideas, it is completely uncertain of its future, but at the same time, it is



becoming increasingly aware that the older products, indigenous to this country, are no longer useful for its future production; the products of other countries are borrowed and it must shoulder the responsibility, in the ultimate, to develop products which are peculiarly suited to this country. One voice is already heard in this direction - and this is noted in my paper - that Mr. P.W.Webb of Courtaulds of Canada, has written most extensively on this subject and his writings which are among the most profound in this particular field, indicating clearly the kinds of directions in which thought and experiment might be conducted. I may say that although I have not met Mr.Webb, I have corresponded with him, and I would say that his writings in the field of textile fabric invention are the most original in the entire literature of the textile industry.

We have heard that the weather here, particularly good for developing clothing and apparel for Canada - the theme of this is "the winter playground of North America" or some adaptation of that particular concept - which may very well provide a clue for the original contribution on the part of Canada's textile industry. The significant fact is that we can expect in Canada a textile output which is ingenious and inspired by the way of life here, and which may be a contribution to the apparel industry the world over. I name the very obvious anomaly that no country in





this era of the cold war can be without its own native textile industry. Until the more recently development of secondary manufacturing concerns, it was an even more important part of the entire manufacturing complex, but the textile industry has been an important part of the Canadian manufacturing industry, At the present time, of course, it has suffered from contraction, since Nineteen fifty and Nineteen fifty one, bringing its total employment to somewhere around the eighty thousand mark - between eighty and eighty five thousand people. It has lost from a hundred and fifty to two hundred establishments in the light of figures which have recently been published by the Primary Textile Institute, but even within its shrunken size, it produced a wide variety of goods and constitutes the backbone of employment for hundreds of communities, primarily in the two provinces of Ontario and Quebec. It also provides employment peculiarly adapted to those communities and to persons who seek lighter employment in manufacturing establishments.

One recent development which should be emphasized, which gives the textile industry a particularly important new rationale for production and for continued development, is that a significant body of manufacturing raw material has now been and is being manufactured in establishments built within this country for the production of synthetic fibres. We now have a synthetic yarn industry manufacturing yarns such as



acetate and viscose and now more recently, completely chemical fibres such as nylon and terylene and saran, being manufactured in this country.

The textile industry, until these synthetic products were available in this country, was dependent upon other markets such as the United States and Australia for its raw material, but now with a larger proportion of domestic fibres from plants in this country, producing somewhere around a hundred and thirty five million pounds of synthetic fibre as contrasted with consumption of cotton fibre of somewhere around two hundred million and raw wool of about seventy million, it is estimated and it is probable that the proportion of synthetic fibres will continue to grow as more capacity will become available. The result of course means that in considering the textile industry, what we call the primary textile industry, which manufactures yarn and fabric, we must not neglect the fact that there is behind it a synthetic yarn industry, manufacturing about a hundred and thirty five million pounds of fibre, which is primarily and almost exclusively devoted to the production of such fibre, and located in this country.

The industry is not in distress at this particular moment to the same degree of distress that it was suffering six or nine months ago. There has been an up-turn in production - which is relevant to the acute crises which it had been suffering from Nineteen





fifty two until about the summer of last year. During that period many plants closed and thousands of workers were put out of business, unemployed. Many communities were left derelict because of the abandonment of plants. There has been a pick-up and this pick-up has provided temporary relief. We are not, of course, particularly certain as to how long this pick-up will be sustained because, as you know, the textile industry carries through a cycle of inventory retail sales and inventory building which, roughly speaking, is on a two-year basis, and we always see a trough beyond the crest, and consequently, cannot - with some degree of assurance - feel that even a complete full employment policy will help us ride the business cycle on a plateau. The fact is, we know we are facing that decline very shortly after this crest has been reached.

In the cotton industry we have had a very sharp reduction. It is exemplified by the fact that in Nineteen hundred and fifty we had produced three hundred and twenty five million yards. Last year, in Nineteen fifty five, it is estimated by figures which have been released since this statement was written, that it was two hundred and sixty six million, as contrasted to two hundred and fifty five million in Nineteen fifty four.

The same thing has happened to the Woollen industry; employment is down from a peak of sixteen thousand, five hundred in Nineteen fifty one to well below



thirteen thousand at the present time. Production has similarly declined. Both of these divisions, both cotton and wool, have been severely hit despite the pick-up that is largely a rise in the rate of activity in the plants which have remained in existence. We have lost a large number of plants in both these industries during the last few years. The pick-up has merely provided a more continued employment for the plants which have remained.

In addition to the loss of employment due to plant closing - there has also been shrinkage of employment in existing plants because of modernizing, both of equipment and process, and methods of management. These have also displaced workers; they have meant higher productivity with lower numbers of people within the plants with total production, either remaining stable or declining. With productivity rising displacement is continuing apace throughout the industry. What is even more significant is that the synthetic yarn fabric industry has suffered because of its lost money markets and, in the meantime, employment in this industry has shrunk despite the fact that we have increased the number of plants in our total capacity for the production of synthetic fibre. We have a statement here that this industry has been making impressive efforts to modernize and to introduce new equipment and to re-orientate itself towards its entire problems. It is a fact that the industry as a whole





has had to start from a very backward position. It is an old industry, an industry in which technology had been stationary for many, many years. It is no exaggeration to say that between the beginning of the century and the middle thirties there was not an important invention or an important new piece of equipment, and since the middle thirties, or between the middle thirties and the pre-war years, few minor improvements of significance occurred. But these did not reach the Canadian Mills; they were introduced in some mills in the United States but were not widely represented in this country. The result was that when the Mills in the post-war years had to face an avalanche of new ideas and new equipment, great sums of money were necessary; it was essential not only to bring in new equipment, but also to re-train management, re-train not only secondary management, but the very top leaders of management. I am sorry to say that that process, to put it mildly, has not even been completed. Management of this industry to date has been very intolerant of this - both major and minor members - but it is the position of the members that they should have certain investments in order to bring them abreast of the times. They have invested - according to the figures I have quoted here - somewhere close to half a billion dollars in new equipment and plant - but primarily new equipment. There is much new machinery - new processing methods - and so



on - that is on the market, all of which are appearing almost daily at machinery manufacturers both in the United States and on the Continent, and at the various exhibitions.

The industry is not an old one any longer - it is shedding itself of age and being rejuvenated and, in this process, we are urging that it needs particular protection and attention. It is an industry which is facing many, many changes. We recognize its challenges and it makes it particularly difficult both for management and employees, and for those of us who are charged with the responsibility of helping in the accommodation of the respective interests. These are problems of having workers accept new machines - working with new equipment - adapting themselves to the new management and processes, as well as the problems on our part of trying to egg management on to greater progressiveness, so that they may stay in business.

These are the very severe problems which - and challenges - which the trade union worker faces and which we have attempted to assume. In this respect we need particular approval and guidance and assistance from the public, and, yes, from the government, because we are helping in the adjustment of people in an industry which is undergoing vast changes. The changes as we all of us now, are expressing themselves in new fibres, in new products - in new finances - all of which are transforming





some sections slowly and others most radically. The result is, that this industry, we believe must be nursed through these changes. Some people observe cynically that - or ask cynically - how long is the textile industry going to be a special favourite of the tariff policy. The fact is it must continue to be until it becomes a modern industry and that is the test.

We are now at the brink of change through the nature of the industry. In this new era of scientific stimulation of new projects, the competitive-money nations will not be as severe a problem; the problem of labour costs will not be as pressing because of the very nature of the new scientific industry - the invention of products - the engineering of fabric for a special need, the adaptation of the national climate and standards of living. Those will be the major factors determining the volume of output. Fortunately, there has been some perspective - elementary perspective - to it, in the way in which the Canadian textile industry has taken on some development and promotional work. What it has done to date is most elementary and comprise the initial steps towards modernizing both its attitudes and its products, and it needs a very great deal of work and stimulation and encouragement in those factors.

Obviously the problem that concerns us most immediately and in the short run, is the threat from imports. I say, as I indicated before, I think



it is a short run problem, because countries like the United States and countries like Canada, will have the capital and do have the capital for exploiting and employing the most advanced technologies. Other countries are less fortunately situated. The result is that all of these advances can be reflected on the floor of the mill and in the new products and other countries will be less capable of keeping abreast of them.

The domestic problem of this industry is vital and is complicated by the fact that it only shares a traditional part of the domestic market. It has at the present time sales of about fifty seven per cent of the volume of fabrics consumed on the domestic market. This proportion has declined from higher levels in the early post-war years when it was between **Seventy** per cent and **Sixty five** per cent, and the pre-war periods when it was in the seventy five per cent level. I have furnished you in this ~~statement~~ statement with the specific data on imports and the relation of imports in this country to the domestic production consumption for the years Nineteen forty six through to nineteen fifty four. The data on Nineteen fifty five or the estimates are, shall we say, very tentative ones - they just came out -- all of which show a **decided** drop in the proportion of the domestic market covered by Canadian production. During the last half of the year, when domestic textile production has risen, there has been concurrent greater rise in the volume of imports of





of fabrics in those areas, with the result that there has been a sharp reduction in the percentage of the domestic market supplied by domestic mills. What I have indicated in here particularly is that in appraising these imports account must be taken of the fact that Canada is not the only market for the exporting nations. Rather they actually sell goods in this country when their own domestic markets are inadequate for the current output, for example the United States with respect to cotton and synthetic fabrics and hosiery; or when other foreign markets are less attractive, for example the United Kingdom with respect to woollens and worsteds. Foreign supplies and prices are a function of the state - of the pressure of the domestic industry - of international trade and the relative need of the Canadian market at a particular time. The recent concern over dumping reflects the tendency of other countries to use this market as an outlet for their excess output; on the other hand, the relaxation of pressure upon the domestic industry - the Canadian industry, during recent months follows from the expansion of domestic demand and rising prices within the United States. The drop in Britain's woollen cloth exports to Canada in the current year is largely explained by the rise in exports to the United States. While the United Kingdom exports to the United States rose by some forty per cent over last year, the exports to Canada dropped by



twenty two per cent. between nineteen fifty four and nineteen fifty five. The imports into Canada must, therefore, be considered to be a marginal variable, rather than the principal source for domestic needs. We all know that while the domestic cotton textile industry of the United States found, and the rayon fabric industry found that its own domestic market was insufficient, that millions of yards of goods came to Canada, and now that prices have risen the demand is quite persistent in the United States, and there has been a lessening of the volume being exported here. That is a phenomenon observed during recent years of the relationship of the United States and Canadian textile industries. The same fact has been true of the woollen and worsted industry in Britain; Britain like all sellers, deals with the most lucrative and the best market it finds at any particular time and, obviously, when the United States market is open, apparently it finds that more lucrative than continued high sales to this country.

In conclusion, the serious consequences of the rising trend of textile imports, makes it imperative that the Government take positive action to prevent further deterioration of this vital industry.

Now our proposal - and the one which we believe should be implemented, is one of two alternatives. We believe the principle which the Canadian economic policy should accept is that this textile industry should at least be permitted to enjoy a market or a share of the domestic





market equal to that of the early post-war or pre-war period. Frankly, we are not here at the moment to argue the merits of the proportion of the market which it should enjoy, because as I gather your responsibility is policy rather than selection of a particular level for administrative implementation. Principally we advocate and we urge upon you the assurance to the textile industry of a given proportion of the market. In that way, this industry would assume the responsibility of development, promotion, fabric design modernization and all that goes with the responsibility of trying to sell goods in an ever-changing world, with ever-changing habits of dress and housing.

The method of implementation would perhaps follow one of two channels -- one of them the quota system - one which many of the administrators of international trade agreements find most repugnant and most at variance with their theories of free trade or greater exchange. We are not insisting upon that particular type of device. We have recommended and seen in operation a similar device which achieves the same purpose without the use of a quota. It is merely an illustration that if you agree on the purpose, we will find you the device which achieves it, and this device has been in the Gatt agreement and will certainly serve the same purpose. In other words, a variable schedule of rates - in fact the Canadian tariff schedule provides for variable and different levels of tariff rates -- there is one, the British



Preferential Tariff Rate; there is a rate for most of the other countries - the most-favoured nation level and then there is a third level which was applicable to Japan until recently and from which Japan graduated when it was accepted into the Gatt Agreement.

So that the principle of a variable tariff rate is not in opposition to the provisions of the Gatt agreement and can accomplish the same purpose, -as a matter of fact, this idea was suggested to the United States Tariff negotiators back in Nineteen forty seven and Nineteen forty eight by our Organization and it was adopted in the negotiations between the United States and other Gatt countries with respect to the Woollen and Worsted Industry and the Woollen and Worsted tariff rates in the United States. There is a variable tariff schedule of rates, which becomes applicable and higher rates become applicable, or the highest rates become applicable after imports exceed five per cent of the domestic production, so then, this principal of a variable tariff rate schedule to protect and assure a market to the domestic industry is completely consonant with the principles of the Gatt agreement and can accomplish the purpose which we have in mind.

We believe that the Canadian textile industry should be protected and should be allowed to graduate out of its adaptations and transformation which it is undergoing at the present time and





thereafter continue to suffer pressures as all industry must from the variety of scientific and cultural changes which occur within a nation.

The second matter which I would like to allude to is this matter of Federal minimum wage. We have not dealt with it in this brief, but I have prepared a statement on it which appeared in a publication called the "Commerce Journal" which is a magazine published by the University of Toronto Commerce Club -- this appeared in Nineteen fifty five and deals with the problem of the minimum wage. I should like to have that statement included in the record, if I may, Mr.

Chairman. I would simply indicate that this is a summary of a very difficult problem in the United States. Fortunately, the Federal Government has accepted and the Courts have approved the principal of Federal minimum wages for inter-state industries. It has had a most salutary effect and it is accepted by all parties as having had a constructive effect. It is accepted by both the Republican and Democratic parties - it is favoured by Management and Trade Unions; it has stabilized industries which pay low wages; It has prevented the continued spiralling of wages in the low-wage groups - a down-ward spiral. It has permitted the raising of wages of those who are usually the least organized and least protected. All of you know that Minimum Wage Legislation started in England as a protection against workers in the sweated industries,



but low wages remain low wages and remain particularly aggravated in smaller types of industries, in the light consumer goods industries where a large number of women are employed and in this country they became particular prey on the New Canadians coming into this country. These are the industries in which the workers are least effective in protecting themselves.

The problems to which the Mayor referred - that is, the social problems - are in part created by the existence of such low wages. Unstable industrial conditions are aggravated by the continued process of wage-cutting in Canadian industry, whenever the going is getting "tough". The philosophy in management is that the solution to industrial problems can be found in wage cutting, a principle which I presume you gentlemen will agree is obsolete, out of fashion and inconsistent with the basic tenets of modern industrial States. Your country is now handicapped in dealing with this problem. I feel very much like Mr. Gardiner did this morning when he said -- I am probably over-liberal in my interpretation - but he said he felt somewhat encumbered by Law and would like to get down to brass tacks in dealing with the essential economic problem. Well - legal restrictions have to be surmounted. A former Royal Commission, of which you are, I understand, the Successor, dealt with this problem at great length.

THE CHAIRMAN: You will remember what





happened to some of its recommendations.

DR. BARKIN - Correct, but I am just somewhat embarrassed Mr.Chairman, -- I find that Dr. Grauer was on that Commission.

THE CHAIRMAN - Then he probably read that section of the report.

DR. BARKIN : I did not know whether there was any relationship to the present Member of the Commission.

DR. GRAUER : - Yes there is quite a close relationship.

THE CHAIRMAN: He has been demoted since then.

DR. BARKIN : In the writings on this subject there was a very vivid description of the problems created by the absence of authority on the Federal level and I am sure that he can very well inform you about the details of his views and observations on the problem.

We hope in view of the fact that your assignment is a roving one - to serve the economic developments in this country and not to be inhibited by the absence of specifically legal authorization to deal with this problem at the Federal level, with instructions to find answers for the present problems of the economy - that you will devote yourself to this issue and inform the Canadian nation of the need of such legislation in order to bring some order out of the chaos existing in



our wage structure. We in the textile industry know the price which low wages or the absence of legislation causes the workers in high-wage plants to pay. They are challenged by wage cuts and plant movement, plant abandonment because of competition from plants in which wages are low or to which employers move in order to escape higher rates, is a constant threat to their continued employment. We hope that some way may be found either as suggested in the earlier report or as has been suggested through other channels subsequently, to find constitutional authority and to secure such authority for the Federal Government. I hope that I haven't burdened you with too detailed a report; I have tried to shorten it and if I can be of any further help to you I shall be very happy to be at your service.

THE CHAIRMAN : We are most grateful to you Dr. Barkin, for a very able presentation and I would like to start the ball rolling by asking you a few questions -- as you know, in certain circles in Canada the textile industry is unpopular, partly because it does require tariff protection which many Canadians don't like on principle, and partly because some sections of the industry over many years -- or in some sections of the industry -- labour relations, and hence public relations, have been poor. As you have pointed out, wage rates are relatively low, and as you have also said, in some circles productivity is low. By United States standards altogether, people





are reasonably unhappy. Have you any suggestions you would care to make for improving the conditions in the labour relations field in this industry in Canada?

DR.BARKIN: Yes I have -- this is a type of industry where a completely different type of labour relations is necessary than we have observed in the past. The type of industrial relations after which we can model ourselves, or should model ourselves, is the schemes which are prevalent in the needle trade where we believe that the pattern is much more constructive. The essence of them is that the collective bargaining be done at the industry level and deal not only with specific problems of plant wages - plant rates - but also encompass the exchange of ideas and an exchange of suggestions and information on the development of the industry itself. That is where this industry, which is old-fashioned and its leadership - that is industrial leadership is not up-to-date as it should be - cannot really rely on the slow process of education which comes through a person to person exchange. That is helpful but it needs much more -- a greatly accelerated system of exchange of ideas and cross-pressures, which is most effectively done through industry committee communications. In a highly competitive industry, first of all it performs the elementary task of creating stable wage levels, but even more important for the future of the industry - it permits the workers' representatives and the workers to become familiar,



systematically, with the problems which the industry faces, and they are many.

The workers will not take on face value the message of their own employer. They will give greater credence and will take more time to understand an exchange on industrial trends, when it occurs at an industry level - the educational processes facilitate it - the prestige of the industry helps to facilitate it through authority and to facilitate the acceptance of that authority, and we believe that the industry must accept that principle. Unfortunately, at the present time, the industry has inherited much older concepts of industrial relations - or shall we say of personal relations - because many still resist unionism and others, though they have had to acknowledge the existence of unions, have tried to keep it limited to their one plant and that kind of parochialism - that kind of limited view - perpetuates the older attitudes.

I always remember the remark of an employer after the first year he had been in the Union - in a plant of about eighteen hundred -- he said "the pace is too fast for me - I have had to unlearn and relearn too many things." Well, that is true, but the fact is that if he were to meet with other employers in this type of industrial exchange and hear more observations of his own confreres, rather than merely rely on the insights





he gets in his own plant negotiations, his own education would be facilitated and eased and thus, both sides of the textile industry could change more rapidly if it dealt with the problems as an industrial group, brought the trades unions into their confidence and had the benefit of those suggestions.

I am happy to be asked this question because Management doesn't understand one fundamental fact - no matter what its wisdom might be, however sound its conclusions - nobody expects that the independent worker will accept it unless that message is translated into terms of his own logic and seems justified to him in terms of his own self-interest. Now that cannot happen if the dictum comes from Management and receives no approval by the Union and by the worker's own peers. That process requires an interchange and exchange, and that is where the trades union movement performs its most constructive role. The Management of this industry has not learned it yet. We bemoan it because we are thereby excluded from one of our most constructive functions in industrial economy.

THE CHAIRMAN: Thank you. Then you refer in your brief to the fact that the Canadian textile industry only enjoys about - was it fifty seven per cent of the domestic market ?

DR. BARKIN: Correct.



THE CHAIRMAN: This is a loaded question, but I was wondering whether you would like to express a view as to what the probable policy of the United States might be, if the American Textile Industry only enjoyed fifty seven per cent of their American market and the balance was captured by the importers?

DR.BARKIN: Well,I suppose you could judge the matter very much in terms of what the recent experience has been with Japanese fabric imports. Our imports have been somewhat of the order of one hundred million yards out of a total output of nine and a half to ten billion - so you realize that that is only a drop in the bucket - hardly worth getting worried about - but if you were a Member of Congress or a member of the Administration you might have received an avalanche of Mill protests and if you were a Governor in any textile State you would have sent a telegram to the Administration and to the Congressional Delegation expressing the wildest alarm about the tragic future threat to the American Textile industry. I am sure we would in our country never attain any such state - matters of such mass volume would have been prevented from threatening our industry.

THE CHAIRMAN: I am glad I asked that loaded question - you gave us a very full answer, thank you. As you were summarizing your presentation - I was going to ask you earlier to amplify your views





about dumping, but when you came to that paragraph you read it in detail - paragraph fifty nine - and I think it is a very clear exposition of what has happened here, and I won't ask you to explain that--

DR. BARKIN: In that connection I have been asked how do I reconcile my views, and how does our organization here reconcile its views with those in the United States. I can tell you that our views are quite similar there -- frankly we look forward in the United States - much to the distress of the manufacturers - but we realistically look forward to the time that our country will lose much of its export market -- the United States had an export market immediately after the war of one billion yards. It is down to half a billion. A significant proportion - somewhere about two hundred million in cotton goods.

THE CHAIRMAN: Mr. Daoust wouldn't mind if none of it came in here I expect.

MR. DAOUST: Correct.

DR. BARKIN : We know the insecurity of the export markets. The Phillipines is going off American imports - both by utilization of the Japanese and its own production. The South American countries will continue to increase production in their own countries and we believe this will in time affect the textile industry - this is a long term trend which we will see implemented the world over as each country becomes



more and more self-sufficient. The textile industries of most countries will supply their own needs. Japan is losing its foreign markets -- as a matter of fact it is now considering legislation for the scrapping of what it calls surplus equipment. Then Japan has been losing markets to India but India won't hold those markets very long as countries in Africa and countries in Asia build up their own textile industry. So that the old attitudes - the old concepts of free trade which were born in the textile industry will have to radically change as the textile industry becomes nationally self-sufficient.

MR. GRAUER: Do you think that the rise in the synthetic fibre industry with its high requirements for capital - will put the Western countries or a country like Canada or the United States, in a better competitive position with countries like India and Japan or where they have these very low wage rates ?

DR. BARKIN : Most assuredly, because the new synthetic yarn industry - most of these backward countries cannot produce synthetic yarn, that we know about now - as cheaply as we can, because behind the synthetic yarn industry must be a chemical industry - particularly when you are getting into the non-celulose types of synthetic yarn and for nylon you have to have nylon salts which is a petroleum product-- and you have to have that backing of a supporting petroleum chemical





industry. So therefore, in these newer synthetic yarn industries, the labour differential is of lesser consequence, and we are seeing this constantly in operation. Few countries for example, can compete with the United States synthetic yarn fabrics - there is no threat of competition. Japan can't compete because synthetic yarn fabric in Japan costs more on their domestic market than it costs on the American domestic market. That equalization is happening in the textile industry, as it is happening in other industry, as science and technology develop -- wage differentials are less and less consequential in determining the flow of trade.

MR. GUSHUE: You made reference in your presentation to the fact that the industry was going through a period of transition and that it needed protection during that period -- I rather gathered though that the type of protection that was being sought was in a rather more permanent form and not just to cover the period during which the industry may come up to comparative efficiency -- am I right in that ?

DR. BARKIN : Well it is a hard financial period of transition - the period isn't for two or three years -- it is certainly a period of ten years at a minimum and consequently, legislation covering that period is almost in a sense permanent legislation.

MR. GUSHUE : And would you feel that at the end of such a period that the extent of such



protection should then be lessened ?

DR.BARKIN : I would think that the entire problem should then be reviewed and revalued and the extent and area of protection should be re-determined.

MR. GUSHUE : Is there any criticism of management in this fact that they have not kept up-to-date with technological advances in other countries and so on?

DR. BARKIN : I would say they have reacted reluctantly and slowly and one of the discouraging factors which they have to face, of course, is the fact that imports have shrunk in America and price levels have discouraged them from making all of the investments that they might have undertaken.

One of the great difficulties, I think we must all acknowledge, is of course a great deterrent to change - and to development - is that, unless management is alert and progressive, industry doesn't change because they are responsible for initiating changes and I think any objective observer of the textile industry in this country would place a great deal of the responsibility for the slowness to change on the door-step of management. They have been too slow in making these changes and surely as I have indicated before, they have got to also modernize their industrial relations policies to speed the rate of innovation which they adopt. Unless they





do they are going to have as many difficulties as they have had in the past in this very important area.

MR. GUSHUE :        You suggest, do you, the Variable Tariff application rather than quotas?

DR. BARKIN :    Yes.    With some measure of determining the point at which the higher tariff rate should apply.

MR. GUSHUE :    Have you any idea as to what sort of tariff rate the Industry wants ?

DR. BARKIN :    Well I refrain.    That is an extremely difficult problem, but-- for the purpose of a very general answer, without being committed to it because if that became the particular administration problem, we would have to study it in detail -- but as a first measure and one which I would evaluate if I were preparing my statement and trying to find out which level I would recommend -- the first thing I would do is find out whether or not the third highest level of rates now allowed under the tariff rate --

MR. GUSHUE - The general rate ?

DR. BARKIN -    The general rate -- would be sufficient, because obviously that would be the least radical change in the tariff structure that could be recommended.

MR. GUSHUE :    It would probably have to be higher than the existing rate between Canada and the United States ?



DR.BARKIN : It would be higher than the Most Favoured Nation Rate -- you couldn't be sure that rate was sufficient to keep Japanese imports out. I am sure that if you removed the British Preferential Rate for woollens and brought them to the level of the Most Favoured Nation Rate you would solve your woollen import problem, or approximately so. So that within your present level of tariff rates you have the answer - you would probably have an approximation to the level you would be seeking.

MR. GUSHUE : Do you regard the application of the Variable Tariff Dr.Barkin, as a good example in international trade ?

DR.BARKIN : Yes I do. I will desist from presenting my views on this matter, but I do believe and I have written extensively in this controversy in the same way -- I would simply say this, the concepts of international trade of the Nineteenth Century are completely inapplicable and unsuited to the needs of our modern industry. We are faced with the high level of capitalism required in modern industry and the existence of the National state -- and the emphasis on full employment and rising living standards; the great need of Governmental intervention and economic development- - domestic economic development. The concepts of free international trade in the Nineteenth Century are unsuited





to our present needs -- I would almost say are pipe dreams which we should get rid of. We have to be much more realistic and plan the nature and the flow of international trade. I think we can find tremendous illustrations of the damage that is being done by our continued adherence to old shibboleths in the case which I have argued about recently - the illustration in Egypt. Egypt must develop its water, its power-supply from the Nile. Egypt produces cotton in surplus and must export it. I am trying to simply deal with the equation. In the Egyptian economy at the present time, must be the sale of cotton to somebody - therefore it becomes the easy prey to Russia because that is the only country that is willing to take the surplus. If the free world is to deal with the problems of the Egyptian economy and to keep it within the Western fold - it must help in the economic development of Egypt which will help to develop new industries and new export markets to pay for that economic development.

That is the nature of our modern economy and as a government you have got to do much more long term planning and resource location. Your Commission is thinking about that kind of challenge in the Canadian economy -- there is no sense, it seems to me, in declaring that that which is good for national



economy is thoroughly unsuited for and improper to international economic relations. Certainly, if we adhere to the older views on international trade, we will only make the problem of solving tensions among the so-called free nations more difficult, because we will leave them to the threat of force and they are hardly equal to match the deliberately Machiavellian policies of the Russian group. So that I think we owe it to today's and to the future foreign policy, to review the problems of international trade.

MR.GUSHUE : You mean that to be done country by country -- not all together ?

DR.BARKIN : No - I think that your country which is a very important advocate of free international trade in the circles of the free world, must reassess the appropriateness of this policy so that it may become a leader in the formulation of new economic policy just as it may help my country stop some of this double talk. My country, through its Government administration representatives talks free trade and acts otherwise and that helps to muddy the waters in the clarification of the problem of the proper policy for international trade in a free world. We fall victims to obsolete and inappropriate policies, of international trade and handicap ourselves in developing appropriate tactics and strategy, for meeting the challenge from the other side of the Curtain.





However, I am sure that is a big problem but I hope that your country, which occupies so strategic a position in the formulation of international trade policies, will consider it, and I think your Commission must face up to it - and if at some future date I can be of any help to you in this area I am at your service.

THE CHAIRMAN: We will take you up on that.

MR. GUSHUE : Just one more question which may lead to two -- I am not sure but I think the next presentation to the Commission is from the President of Imperial Oil Company -- are you aware of the attempt last year to limit to a somewhat smaller amount, the entry of Canadian Oil into the United States of America?

DR.BARKIN : Yes.

MR. GUSHUE : That was quite vigorously protested by Canada was it not ?

DR. BARKIN : Yes.

MR. GUSHUE : How would you react to that?

DR.BARKIN : Let me put it this way -- special interests are always at work to protect themselves -- we are having an excellent example of that in the debate currently taking place on the floor of the Senate of the United States, and without revealing my own prejudices on the subject, I would define the contest between the natural gas interests and the public, which was defined



on the floor -- and it may very well be that the private interests of the natural gas people may win the case! Their political pressure may be sufficient to corral enough votes but it doesn't necessarily establish a pattern of public interest on their side. They are in the realm of practical politics and practical pressures -- those things which don't suit the interests of the most powerful. It may very well be that in the case to which you are referring the efforts of the most "powerful" were sufficient in that situation, to effect a limitation.

THE CHAIRMAN : Not as far as Canada is concerned. Well, I am going to with-hold any questions on the oil industry until Mr.White presents his Submission.

DR.BARKIN ; But of course, these are matters of national interest. As you know, in my own paper I tried to establish first the national interest in maintaining the textile industry, but if you disagree with the arguments, you have the experts and I would not urge you to take my proposal. I am putting them forward in terms of the National interest - our attitudes may differ and our assessment may be different at the end but this question must be judged in the terms of the National interest and sometimes that doesn't win, in the play of practical political forces.





MR. GUSHUE: I see you use the word "proliferation" at one point in your presentation --

DR.BARKIN: Yes.

MR. GUSHUE : Do you think that proliferation of these variable tariff policies, or tariff policy, among a great many countries, may be injurious to Canada as a great exporting country - that it may end up in a web of difficulties and complexities and so on ?

DR. BARKIN : Well Canada at the present time is almost perfectly situated in that the main volume of its exports are things that the other countries just don't want to get along without -- the raw materials flowing from the oil fields, from the mines and gas fields are products which are greatly desired the world over. There may be a temporary embargo but I think that in that particular area, that the problem of Canada's exports is relatively simple. I come to crops here, rather frontally, which has been effective as a basic commodity in advocating Canadian import-export policy -- namely the problem of wheat. I did mention wheat in the third paragraph of my statement, but the reference is quite obvious -- the problem of selling wheat abroad is not a matter of tariff policy -- no amount of tariff manipulation is going to get you much more of the market, because the competition with other exporters is so intense that they will resort to deplorable techniques in assuring the exporters - as witness the tactics which the United



States is employing in order to assure its sale of surplus wheat. The problem of wheat is an obvious one - a problem which entails a conversion of the area into the growth and cultivation of other crops or the diversion to other uses, -- concepts which are being developed in the American farm policy. This is something that will have to be considered - whether it be cotton or wheat - and whether your production investment is in excess of the potential absorption power. In those areas we probably have reached that limit for the production capacity of both our countries.

THE CHAIRMAN : Well thank you very much Dr. Barkin and Mr. Daoust for the very valuable contributions that you have made to the work of this Commission.

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Recess  
After Recess  
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THE CHAIRMAN: Can we come to order now gentlemen - Dr. Barkin's submission will be marked Exhibit 124 for the record.

At the request of Dr. Barkin  
the following paper entitled "The Government's Role in Promoting fair labour Standards" forms part of his submission to the Royal Commission:





To maintain a stable and expanding private enterprise economy, large aggregates of economic power cannot be permitted to impose their will on the economy. In the past, we depended upon free bargaining among relatively equal negotiators in the market place to secure a constructive decision. When we perceived that monopolists and large business concerns exerted uncontested influence on price, products and output, protests were heard. The recent efforts to curb monopolists and to re-examine the merits of resale maintenance practices reflect this concern about the exercise of power. A similar anxiety about the effects of business practices on workers supported the demand for fair labour standards. We have looked toward legislation to prevent the exploitation of the individual worker unable to bargain on the same footing as his employer. Support for collective bargaining has in part been inspired by the hope that such free associations can balance the employer's bargaining power, eliminating the need for legislation on fair labour standards.

It is, however, a vain hope to rely upon free market forces to eliminate all unfair labour standards and produce a general level of working conditions which will assure an adequate distribution of the fruits of our economy. Collective



bargaining has made memorable progress during the last few years. As a result, one million five hundred thousand persons are now enjoying the benefits obtained by unions. But the employer opposition continues, and vast areas of the Canadian working population are still not unionized; they do not enjoy the protection or the facilities provided by collective bargaining. It is not strange that the lower wage industries are among the least organized and most in need of governmental protection. In a free society, it is unlikely that organization will be universal, and there are areas where labour standards will continue to lag behind the prevailing levels. Nor can we wait until self-interest among workers will lead them to unions, or among employers to establish fair labour standards.

Other countries have had the same experience. They have had to supplement or implement collective bargaining with legislation to assure the extension of its prevailing labour standards to all workers. In the United States, where there is a strong tradition and insistence upon a free, private enterprise economy, federal and state labour legislation exist. There are, in fact, two federal laws which establish minimum labour standards; one for defined interstate industries, bound to observe a





basic forty-hour week and a seventy-five cent minimum wage, and the other for contractors of the federal government, who are required to maintain a basic forty-hour week, eight-hour day, and prevailing minimum rates promulgated by the Secretary of Labor for each industry. Both specify a basic sixteen years minimum age requirement for employment. Both statutes have been revised on several occasions. The President of the United States, in his 1955 message to Congress, recommended further modernization by proposing a ninety cent minimum and extension of the coverage of the fair Labor Standards Act. The supplementation of collective bargaining by legislative regulation is quite general throughout the industrial countries of the world.

Several special Canadian circumstances have made even more urgent than ever before the active promotion of such fair labour standards legislation. First, millions of workers throughout Canada are not enjoying the advances in labour standards which have been gained by the organized workers. The disparity has grown and has created an inequality of status which needs correction. Second, unfair competition has developed between the areas of advanced and low labour standards, with the result that plant migration is often induced for no other cause than



the opportunities for exploiting such lower labour standards. Third, the continuance of unfair labour standards has not only deprived workers of the benefits of rising productivity but has also inhibited national growth by depriving the market of their purchasing power which is necessary for a stable economy. Fourth, low labour standards have discouraged modernization of the less progressive industries and consequently discourage managerial enterprise and advances within them.

The last few years have seen successive improvements in labour standards as a whole. Workers in many industries have enjoyed them. But other industries have been laggard. True, in the early post-war years, labour shortages forced even reluctant employers to concede wage increases. But, as the employer's superior bargaining power became more evident, differentiation in benefits among industries and regions became more marked. More and more workers in poorly organized or non-union industries found their wage increase patterns to be lower than those in the major industries. In time, some were excluded entirely from all advances. The improvements thinned out.

Workers in the paper and pulp industry, a highly unionized one, secured increases in the





period since 1946 of some ninety-three cents; the iron and steel workers, eighty-nine cents; and the printing and publishing workers, eighty-eight cents. On the other hand, the leather and apparel workers eked out only a forty-three cents rise and the fruit and vegetable canners, only thirty-seven cents. Service workers, during this entire eight-year span, obtained only thirty-six cents.

The discrimination, of course, tended to concentrate the lowest paid workers in some industries and areas. The inequalities prevailing at the end of the war have been aggravated. A flourishing industrial nation, boasting of its leadership is now saddled with insightly wage and benefit inequalities and differentiations which have been obliterated by other Commonwealth nations like Australia and New Zealand.

The nearest approximation of current conditions is provided by the report on weekly earnings for the last week of October 1953, published by the Dominion Bureau of Statistics. If we use a modest measure of substandard wages, thirty dollars per week, eleven per cent of the Canadian manufacturing workers were in this category. Of the one hundred thousand reported workers earning less than thirty-dollars, which of course included some part-



time employees, so that the actual number of employees earning that sum on a full-time basis is likely to be smaller, about eighteen thousand were in the durable goods industries and the remainder in the non-durable goods. In all but the wood products branch of the durable goods industries, the proportion earning less than that amount was well below five per cent. In the non-durable goods industries, the paper and pulp mills, and the petroleum and coal products plants, had less than five per cent. Therefore, industrial divisions with one half of the employment provided less than five per cent of their employees with earnings of less than thirty dollars a week.

The highest percentage, in the industries with more than five per cent of the employees earning less than thirty dollars per week, were in the clothing, primarily men's and women's clothing producers (forty-one per cent); followed by the leather products industries (thirty-six per cent), primarily the shoe workers (forty-three per cent); the food and beverage industries (seventeen per cent), primarily the fish canners (forty-three per cent). The other divisions, in order, are as follows: textile products (sixteen per cent); tobacco and tobacco products (fourteen per cent); other paper products (fourteen per cent); printing, publishing and allied products (fourteen per





cent); wood products (eleven per cent); chemical products (nine per cent); and rubber products (six per cent). Of the ninety thousand substandard earners in this group of industries, thirty-four thousand were clothing workers, eighteen thousand were food workers and eight thousand five hundred were in the leather and textile products industries.

Though mainly concentrated in the industrial provinces, the substandard workers were to be found in all. Almost sixty per cent were in Quebec, where sixteen per cent of the manufacturing workers were earning less than thirty dollars per week. While Ontario had one-half the percentage of workers earning under thirty dollars per week that Quebec did, the fact that it had almost half again as many manufacturing workers resulted in a total of thirty-six thousand substandard workers. The other provinces had each less than four thousand workers in these categories.

The high proportion of substandard workers in the province of Quebec is a threat to the labour standards in most other Provinces. A recent study concludes that "after deteriorating gradually since the end of the war, working conditions in the Province of Quebec are now much worse than in Ontario...The disparity in hourly earnings is serious.



In 1953 it amounted to twenty-one point five cents in manufacturing as a whole, and to twenty-one point six cents in the eleven selected industries (weighted average)...Present conditions are not due solely to the developments which started in 1946 but are deeply rooted in the various preexisting disparities...The advantage which Quebec workers in some industries enjoyed in 1946 has since been wiped out by greater gains in Ontario." (Gilles Beausoleil, "Wages in Quebec and Ontario: The Canadian Congress of Labour and the Canadian and Catholic Confederation of Labor" 1954, pages 45 and 46).

The continued existence of the wage differential constitutes a severe challenge to the operations of labour-oriented industries in other Provinces. Whenever the industry's capacity exceeds the prevailing demand, the pressure on wages is likely to grow. The lack of nation-wide collective bargaining or widespread organization leaves the individual employer at the mercy of competitive forces. Unable to establish an enforceable set of labour standards, he is buffeted in the market by the competitive practices and price levels made possible by the low wages paid in these areas. The fair employer and the organized shop with decent standards are, therefore, threatened.





That this condition is not a theoretical alternative is suggested by current experiences. In the present industrial recession, employers in high-wage textile mills have looked enviously to the lower wages in the Quebec Province and sought to impose wage cuts upon their employees. Moreover, in one branch of the full-fashioned industry, Quebec employers have already utilized the absence of organization or the weakness of the union structure to force wage cuts on an already low wage standard. The consequence has been a further demoralization of this market and a continued pressure for like action in Ontario with the threat of mills closing as the workers' alternative. Similar developments have been noted in some branches of the clothing industry.

The low wages and the absence of a floor in the highly competitive labour-oriented industries have not only demoralized them by undermining the labour standards maintained by fair employers and negotiated contracts, but have also deprived the economy of needed purchasing power. The result has been the weakening of the economy in the face of a high potential for growth. Concerns have been forced out of existence at a very high rate, at a time when the potential for continued growth is most promising. Commercial failures in manufacturing industries were



forty per cent higher in 1954 than in 1953. Many sick industries have developed, including textiles, electrical equipment, farm equipment, and clothing, which need high levels of domestic consumption to maintain them. Again, Canada has been faced with the problem of unemployment, which rose to a post-war peak in March of three hundred and eighteen thousand. While it receded to one hundred and seventy-nine thousand in October, the winter increase has brought the problem back again to critical proportions. Already, the federal government is concerned and has indicated that it will act to liberalize the unemployment benefits and provide for more public development projects.

Present forecasts suggest a rise of only two per cent in gross national products for 1955 over 1954, which will bring the nation back to 1953 levels. But this recovery is hardly adequate in face of the natural rise in population and the large number of immigrants. A firmed base for stimulating the rate of growth of the national product must be found and consumer income can provide it. It can maintain in this country, as it does in the United States, the levelling influence, which maintains consumption in face of the gyrations of the hard and capital goods production. But such consumer goods





require higher current income for expenditures, more than even in the United States, in view of the tremendous personal savings in that country.

Canada has enjoyed an impressive rise in the rate of increase of man-hour productivity. Earlier estimates for the period from 1946 through 1950 placed the rate at three point six per cent. ("Productivity in Canada, 1946-1950" Labor Research, Vol. IV, Nos. 9, 10. Research Department, Canadian Congress of Labour, Ottawa, Canada). This rate has, no doubt, been maintained. The workers in the substandard industries are certainly entitled to enjoy the benefits of such advances together with compensation for the advances in the cost of living.

Finally, a nation must modernize its methods of manufacture. It is necessary for the maintenance of high wages and the stimulation of a higher level of productivity. An advanced industrial nation grows as each of its industries taps the common fount of industrial know-how and managerial competence. Unfortunately, low-wage industries tend to remain backward; their managements continue to rely on old-fashioned methods of production. They compensate for their incompetence in management of labour and capital by exploiting workers through low wages. They have little or no stimulus for finding



new methods and improving their effectiveness. High wages not only are good for an economy, but also are an active agent for promoting efficiency and a progressive, searching management. Areas which foster and protect low wages, repress unionization, and discourage the ideas of higher living standards also retard indigenous industrial growth. They remain dependent upon outside capital and managerial competence for their expansion, in a prospering modern economy.

This cycle can be broken by creating local demand, through higher wages and labour standards which constantly egg management on to greater competency. This stimulus provides a sound basis for a progressive industrial society.

Two essential planks are now lacking in the organization of the Canadian economy for such growth. One is the promotion of organization of workers. Economic repression and political interference still permeate many areas in the country. They constrain the expansion of unionism. The second is the absence of an effective tool for establishing federal fair labour standards.

An early interest in wage and hour legislation in this Country resulted from revelations, during World War I, of the low wages being paid to





women. Public opinion rallied to the enactment of minimum wage legislation, beginning in Manitoba and British Columbia. By 1930, such laws had become general except for the Prince Edward Island. Through the thirties, the laws were extended to men. Weekly rates were defined as applicable to specified weekly hours, with higher rates prescribed for part-time and overtime work. During the war, provincial authorities were permitted to raise the minimum rates up to thirty-five cents per hour, or to an equivalent weekly rate.

A number of improvements have since been added to such provincial laws. The four western Provinces have a forty-four hour basic work week, except that Manitoba prescribes a forty-eight hour week for men, and Alberta, forty-eight, for workers outside the four specified cities. In Ontario, the basic work week is forty-eight hours. Longer work weeks prevail in the more easterly Provinces. As for the minimum wage rates, they are even less uniform, ranging from a rate of sixty cents for men in Manitoba to twenty cents per hour for women outside of the four cities in Alberta. Unfortunately, not enough attention has been paid to the modernization of the minimum wage provisions. They are now unrealistically low, so that they have little actual effect on the



industrial life of the Provinces.

Advances in the wage standards through Provincial labour legislation have encountered numerous forms of opposition. The nature of these difficulties as well as those of attaining uniformity were well spelt out by Dr. A. E. Grauer, in the appendix to "Labor Legislation" the Report of the Sirois Commission, which reads: "The lack of uniformity of labour legislation as between provinces has serious implications for internal policy. In the first place, it has to some extent encouraged competitive bidding between provinces for industries at the expense of labour standards. Where industries with poor standards have been encouraged, sore spots in labour relations and social conditions have been created. Once established, these sore spots are very difficult to get rid of. In addition, as long as competitive bidding for industry is allowed by labour legislation, there will be bad feeling among workers and bad feeling between provinces. In the second place, lack of uniformity in labour legislation is in itself a condition that prevents adequate and more uniform standards being set. Among the industrially important provinces, the tempo of labour legislation is conditioned by the most backward province because of the fear of others that their industry





will be penalized in interprovincial competition if they get much ahead of that province. Again, lack of uniformity enables businesses to threaten removal to another province to prevent the enactment of new legislation or the raising or the enforcement of existing standards.

"Present conditions in labor legislation, therefore, including difficulties of enforcement, leave the way open for undesirable economic and financial results because they encourage or allow industries with poor standards. The hidden costs of such industries expressed in terms of bad health, relief costs, early unemployability, etc., must be borne by the taxpayer."

The cumulative effect of these considerations has already been disclosed. The provincial laws are dissimilar. Improvements have been slow and modest. In some places, the laws are without effect. Competitive fears of employers and provinces have conspired to deprive their own populations of their proper desserts and their shares of the benefits of the rising national productivity.

The insufficiencies of the provincial legislation has been recognized, but little action has been taken to remedy the defects in labour standards legislation. Other countries with federal forms



of government have dealt directly and squarely with the issue. They have empowered the federal legislature to act. In this way, the overwhelming national concern could bring to a focus the conflicting economic interests and provincial fears, ironing them out through direct contact and agreement. The federal government could provide this opportunity if it were authorized to act. As in other fields, the absence of a vehicle for action has frustrated attempts at meeting the problem through reconciliation and adjustment of interests.

Unfortunately, Canada is now fettered by court interpretations which apparently prescribe direct federal legislation on the subject of fair labour standards. The decision in the case of the Japanese Canadians (1947 A.C. 87) reversed the extension of the powers to the federal Parliament indicated in the Canadian Temperance decision (1946 A.C. 193). As indicated by Dr. Grauer, the alternative of identical legislation by the Provinces is a fleeting mirage. One proposal is to amend the British North America Act to transfer jurisdiction to the federal government in the same way in which it was enabled to pass legislation on unemployment insurance and old age security. As an alternative, others have suggested a new amending procedure for





the British North America Act, which would permit the extension of federal authority in a given area through the consent of a majority of the Provinces.

The economic health of the entire nation is dependent upon constructive and practical action. No modern state can be long deprived of the right and power to establish fair labour standards. No free society can function satisfactorily, unless it undertakes to correct the abuses resulting from the acts of its individual citizens. In no field is such corrective action more necessary than in the field of labour standards. The function of industry is to serve the people, and it does not do so until it spreads the fruits of its activities to its producers and their dependents. As long as the weakness of some sections is exploited by the economically powerful, and the government does not intercede to correct the inequality, the essence of a sound political and economic society is lacking. The requirements for continued prosperity and economic progress are absent. Only federal fair labour standards can correct this condition. The federal government must be empowered to legislate in this area.

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THE CHAIRMAN :        The next submission is a presentation by Mr. J. R. White, President of Imperial Oil Limited - which contains a great deal of very valuable information - and for which we are very grateful. We are most appreciative Mr.White of all the work that has gone into this brief, and if you would like to proceed I will mark your submission Ex. 125.

MR. WHITE :    I would like to pay tribute to my colleagues who really are responsible for most of this report - and to express our pleasure at appearing before you gentlemen today to present, something only, of this brief on the relation of the oil industry to Canada's economic prospects.        I should emphasize that our prime purpose has been to outline the broad course which we might expect the Canadian oil industry to follow rather than to provide specific forecasts of future activity.    Hence the general magnitude of the anticipated increase - and we are talking increase -- we believe is more important than the specific numbers that come out in the study.        We have considered these six principal factors of importance to the Canadian oil industry - once one has the future demand:

1.                The future demand for petroleum;
2.                The anticipated growth in domestic and external markets for Canadian crude.
3.                The reserves of oil which may be found.
4.                The possible levels of crude oil pro-





ducibility.

5. An estimate of the investments required to achieve these results and the possible source of these funds, and finally :

6. The results of some aspects of Canadian income tax law on the development of Canada's petroleum resources.

I would like to briefly review some of the aspects of the Canadian Income Tax Law and its effect on the depletion of our petroleum resources. Starting off with the first item which is petroleum demand, in considering the future demand for petroleum products in Canada, we have studied, initially, the estimated total energy requirements for this country. We have done this by examining broad categories of end use, by projecting future demands for these energy consuming categories, and finally by converting these data into the Canadian demand for primary fuels. It should be borne in mind that the purpose of our study has been to arrive at an estimate of petroleum demand. Accordingly, our estimates for other fuels should be viewed in only the most general terms. They indicate that, over the next twenty five year period, there will be an overall doubling of energy demand, while the demand for petroleum will triple from about six hundred and twenty thousand barrels a day in Nineteen fifty five to approximately one million seven hundred and fifty thousand barrels a day in Nineteen hundred and eighty. In



addition, we estimate that petroleum's share of the total energy market will rise from forty eight per cent in -Nineteen fifty five to sixty two per cent in Nineteen hundred and eighty.

As regards markets for crude, presently, Canadian crude is supplying the petroleum requirements of British Columbia, the Prairie Provinces and a large proportion of the Ontario refinery markets. This amounted to about three hundred and four thousand barrels a day in Nineteen fifty five and represented fifty seven per cent of the total crude requirements of Canada. In addition, crude is flowing to the Puget Sound and the Lakehead/Minneapolis areas of the United States. During Nineteen -fifty five, this averaged fifty five thousand barrels a day but by the end of the year it had reached a level of one hundred thousand barrels a day, - which is the current level.

The domestic market for Canadian crude is expected to grow to about four hundred and thirty thousand barrels a day by Nineteen sixty, and could reach one million four hundred thousand barrels a day by Nineteen hundred and eighty. This is based on the assumption that rapid increases in demand will continue to develop in other areas of the world to the extent that Canadian crude will become an important source of North American supply; and, providing it is an economic source, will reach the Quebec market by Nineteen hundred and eighty, or before. Should these markets develop to this extent, Canada would





be supplying about ninety per cent of its own demand for crude oil, by the end of the period.

The present export markets for Canadian crude may reach one hundred and seventy five barrels a day by Nineteen sixty and could conceivably grow to at least six hundred thousand barrels a day by Nineteen hundred and eighty. If by this time crude oil deficiencies of the order anticipated in the Nineteen fifty two report of the President's Material Policy Commission - I think it was called - if the deficiencies developed to that extent in the United States, Canada might reasonably expect additional exports of as much as one million barrels per day. Hence, these factors indicate future demand for Canadian crude to approximate two million to three million barrels a day, being equivalent to six to eight times the Nineteen fifty five production.

Dealing now with crude oil reserves - our study of the anticipated developments in the supply of crude oil during the next twenty five year period has been based on two primary factors: the prospectiveness of the area, and the incentive for development.

It is our view that the prospectiveness of Western Canada as a large oil producing area has been substantially proven during the past eight to nine years, and that even a conservation forecast would provide for the discovery of several times the volume of reserves proven at the present time.



In respect to incentive for development, such factors as the economic markets accessible for the oil produced, the rate of return on risk capital, and the security of the investment are important considerations in determining the pace of exploration activity, and therefore the amount of oil which may be found.

With regard to markets, the Western Canadian producer is at a serious disadvantage, since he must compete with oil producers from more favourably located areas in the United States. Due to this transportation penalty, the Canadian producers currently operate at a price disadvantage compared to U. S. producers in the order of fifteen per cent at the wellhead. Secondly, certain provisions of the Canadian income tax law, by their effect on the return on investment, act as deterrents to Canadian taxpayers engaging in exploration activity. Finally, the security of the investment in the Canadian oil industry results from a tradition of stable government and the strategic importance of this country's oil reserves to the military requirements of this area.

It is estimated that proven reserves of crude in Western Canada approximated three billion barrels at the end of Nineteen fifty five. Based on the considerations just mentioned, it is estimated that the industry may find oil reserves in the magnitude of from twenty three to thirty billion barrels by Nineteen hundred and eighty.





Taking into account oil production during the next twenty five years, this means that remaining reserves will amount to between thirteen and seventeen billion barrels by the end of the period. Comparisons with the oil finding history in the United States and other oil producing regions indicate that such estimates are quite reasonable.

At the present time, the oil producing industry of Canada is operating at about fifty four per cent of producibility. I imagine that is quite clear to you that if there was a wide open market that is the percentage by which you divide present production to get up to capacity. A substantial excess of potential over actual production is expected to continue during the Nineteen Sixties and it is possible that the problem may persist until the Seventies. As market expansion becomes increasingly dependent on exports, any slowness in expansion of export Markets might delay development activity and so, during the interim period, substantial excess capacity might not materialize. This situation could have an effect on the producing industry's ability to meet the higher level of market demand of three million barrels per day which we have forecast for Nineteen eighty.

Therefore, in our study we have estimated ranges of crude oil producibility in the order of one million to one million, three hundred and eighty thousand barrels per



day by Nineteen hundred and sixty and two million, eight hundred thousand to three million, eight hundred thousand -barrels per day by Nineteen hundred and eighty.

Dealing with investment required, and source of funds, it is evident that vast sums, many times the three billion dollars already invested, will be required by the oil industry during the next twenty five years, to meet the anticipated future growth in Canada. We have estimated that between fourteen and eighteen billion will be required in the exploration and development phase during this period, and possibly three to four billion to meet the other requirements of industry including manufacturing, marketing and transportation.

Now since Nineteen forty six, about twenty five per cent - or one quarter of the capital requirements of the industry has been derived from funds generated by Canadian refineries. The balance has been provided from sources outside the Canadian industry, such as Canadian investors, U. S. and foreign investors, and U.S. and foreign oil companies. The relatively low participation of Canadian oil companies' earnings in meeting the capital needs of the industry to date, is typical during periods of rapidly expanding capital requirements. As the industry grows in size and the gap between earnings and capital requirements narrows, the reinvestment of earnings plays a more important part in supplying these needs. Nevertheless investors will be called upon to provide a large portion of





the approximately twenty billion dollars required during the next twenty five years.

Coming to the last point, the effect of Tax Laws on petroleum development, I mentioned earlier that certain provisions of our income tax law deter Canadians or Canadian taxpayers from engaging in exploration activity. I had reference primarily to the depletion allowance, which makes Canadian operators less competitive in world markets. This results from the deduction of exploratory expenditures from profits before calculating this depletion allowance of Canadian operators. This is less favourable than the tax law applicable to companies operating in the United States which does not require the deduction of exploratory expenditures before making this calculation.

In addition to this benefit, a United States oil operator may carry on business in Canada, and, during the earlier or loss stages of development, which could last for some considerable time - in the order of eighteen or twenty - or perhaps fifteen years let us say - by a combination of United States and Canadian income tax laws as presently framed, may obtain a definite tax advantage over the Canadian operators. The result is that these United States companies have more dollars available for further investment than do Canadian companies. The competitive advantage brought about by the availability of these additional funds tends to decrease the proportion



of Canadian investment in the Canadian oil producing industry.

The unfavourable effect of the Canadian income tax law and the competitive advantage obtained by the U. S. operator, both in the United States and in Canada, would be largely eliminated if the Canadian operator were allowed to calculate depletion allowances on his producing profits before deducting drilling and exploration expenses not immediately or directly related to productive wells.

Mr. Justice Rand of the Supreme Court of Canada in a recent decision involving the Home Oil Company Limited, emphasized the fact that the Canadian depletion allowance was designed to encourage exploration and development on the widest scale. As a Canadian oil operator we do not feel that depletion as presently administered achieves this result.

While there can be no question that Canada has large resources of oil, time alone can assess the validity of our assumptions regarding their development and use. However, we believe that our views are well supported by past performance, by available data and by discernible trends; and we hope that our brief will be of use to the Royal Commission in the important and difficult task that has been entrusted to it.

This concludes my remarks relative to the brief, gentlemen, in your hands - but in your





letter of the fifth October, Mr. Gordon, you raised the question about the effects which import quotas and other policy measures of foreign countries may be expected to have on the Canadian oil industry. I would like to say right away that the current interpretation of the policy of the United States Government - which is our only export market - at present - with regard to the importation of crude petroleum from Canada, has had no detrimental effect on the development of the Canadian Oil industry.

However, actions of the United States Government which indicate uncertainties or possible restrictions in the free importation of Canadian crude, could be expected to have a discouraging effect.

Speaking generally of crude markets -there has been some talk, mostly in the Press - about capturing markets for Canadian oil. We don't think that that is very sensible, to look at it in that way. Speaking generally, markets are not captured, we feel that there must be a need for Canadian oil before there is any firm basis for such a market. Therefore, the Canadian producer in looking at large scale permanent export markets depends primarily upon his ability to supply crude oil economically to those areas where United States supplies cannot be supplied economically. And just as long as the policies of governments do not upset the principal of market development based upon economic need for Canadian petroleum, I believe our export market will grow in a



stable and logical manner based upon sound economics.

THE CHAIRMAN:        You are not prepared to guess at what the governments might do ?

MR. WHITE :        No - I am afraid not.

MR. STEWART :        Mr. White, on page five - you refer to your estimate of Gross National Product and I notice that you use the rate of three and a half per cent for your long run projection.        That rate is in fact lower than it has been for two years in the past, but I take it that you feel it is important in the long run to maintain the kind of rate of increase in total productivity that we have had recently - is that correct ?

MR. WHITE :        Well just the way you have said it I would rather not say -- what this really means is that the boys have looked back over the run rate that has gone up steeply and they have taken the lower guess which is three and a half to four per cent a year as the trend for the next twenty five years.        We know they are wrong, but we don't know which way.

MR. STEWART :        Looking at page six, at the table there, with the tremendous increases in the use of oil between Nineteen fifty one and Nineteen fifty five, for heating dwellings, for my information could you tell me where that has occurred, most obviously ?

MR. WHITE :        It would I think, be safe to assume that that has occurred mostly in the Eastern Provinces of Ontario and Quebec, and of course in places where





there are no gas supplies, oil heating is recommended. I am sure Mr. Grauer could tell you about British Columbia with a different type of heating, perhaps smaller units. Not in Western Provinces -- particularly Alberta.

MR. STEWART : Then, on page six you deal with the aviation demand -- it is possible that your calculations there may be a little conservative -- I don't think they are generally, but with respect to the use for aviation fuels ?

MR. WHITE : Well you will notice that is very carefully hedged. In the first place, information as to plans is not readily available and I think that our people would feel that that is the best guess they can make -- I don't know how else to describe it.

MR. STEWART : I realize that it is pointed out clearly somewhere, that the purpose of your calculation here, is to arrive at the petroleum utilization but it is obvious that your advisers take a dim view of the prospects of the coal industry. They don't see much for them in this calculation ?

MR. WHITE: Well it is a matter of trend I think as much as anything else - the trend is there if you can find it and that is - from our information - the way the "thing is going to add up" - I don't know. I would say that if there are any specific matters related to these estimates that you wish to know - we would be very glad to elaborate on them -- that may be the most satisfactory way to



deal with the matter.

MR. STEWART : Thank you -- coming back to page five you point out that no consideration has been given either to changing price levels or changing relative fuel prices. I realize what a speculative undertaking it would be to consider these effects but I wonder whether you might have some suspicion as to how prices might move over the longer period - particularly let us say, prices out-side the United States ?

MR. WHITE : I am afraid I would be wasting your time if I tried to answer that and obviously, you might expect prices to trend upwards but that overlooks all the efficiency that might be built into your manufacturing structures, so I can only say I don't know.

MR. STEWART : That is a good answer -- I don't either. You conclude that imports both of crude oil and products will continue throughout the period - they will not have disappeared by Nineteen hundred and eighty ?

MR. WHITE : Even in Nineteen hundred and eighty no one expects Halifax to be supplied from Alberta.

MR. STEWART : I was going to ask you what the nature of those products would be -- I think the implication in your report is that they will not be crude but they will be products ?

MR. WHITE : I don't think that is a correct implication - there will be products in areas where you have refineries now existing, because you are in imbalance, you





are either long or short something in the way of refined products so there will always be some product import in the Ontario and Quebec area. In the case of Halifax area I think the bulk of imports will be crude oil - petroleum - with just a balance of refining products.

MR.STEWART : Any guess as to where they will come from ?

MR. WHITE : I have't for sure, but about as far as I can say is that Venezuela is the closest point - otherwise you might go any place. They have large ships and they have been building up quite a movement of crude but not so much products.

THE CHAIRMAN : They should have some drilling in the Maritimes -- Prince Edward Island and so on ?

MR. WHITE : That pre-supposes no indigenous supplies - although we can't, even yet, suggest it.

MR. STEWART : You also expect fairly substantial exports from Canada do you ?

MR. WHITE : Well the big growth of market is in the export phase -- I am sure you have heard this in Calgary, but the natural market, the biggest market and the most economic market is on the West Coast, but the minute you have said that someone comes in from Battle Creek or Bay City and wants to buy some crude for this end, so I think it will be all along the border at various spots.

MR. STEWART : You mentioned how much distance puts on the wellhead price - now obviously in remote - and



as an Albertan I can say that -- remote Provinces there is a distance factor -- but as between Detroit say and Southern Quebec, is there any significant prospect as to the relative draw of those areas ?

MR. WHITE : Well - you mean the question of supplies in either of those areas ?

MR. STEWART : Yes - which would seem in the long run to be the most advantageous prospect ?

MR. WHITE : Well that is a rather hard question to answer--

MR. STEWART : Perhaps it is not properly worded--

MR. WHITE : You will never get any place until you can put in lower or cheaper cost - or because they don't have any. I would rate Detroit possibly a little closer in the picture and in fact almost certainly closer in the picture than further East. One thing I would like to emphasize -- it might not help you at all - but no sooner have you got your supply and demand picture set up than something happens to upset it. We have been surprised so many times that it is almost normal -- but Detroit is probably more in the picture than say Montreal.

MR. STEWART : I was greatly interested in your exhibits at the back - on this tax problem - I am sure Mr.Gordon would draw a good deal more from the reading of them than I was able to do, but there is one question that I would like to put -- supposing that I was an American producer - in the United States. Now I can put earnings





back into the development of the oil industry, either in the United States or in Canada. Is there anything in the United States tax structure which would make it more advantageous for me to invest in Canada than to invest in the United States ?

MR. WHITE : Is it permissible to introduce a gentleman who is an expert ?

MR. STEWART : Yes - certainly.

MR. WHITE : This is Mr. McLelland who is Assistant Manager of our Tax Group.

MR. STEWART : Shall I put that question again ?

MR. McLELLAND : I think I understand it sir -- the question of prospectiveness of course, would probably enter into the picture - first, which is the better place to look for oil, but in the United States, a domestic company - that is one that is incorporated in the United States, can take its earnings and explore in the United States or explore in Canada, Venezuela or another place -- and still get the same treatment as far as United States Income Tax is concerned -- in other words, the American Tax Law taxes a domestic company no matter where its operations are. He is then of course subject to the tax laws in the country in which he enters. In the case of Canada - if he came to Canada - he would not have to pay taxes in Canada until such times as his revenues earned in Canada equalled his expenditures. That is, expenditures



allowable -- they would not all be, notably the cost of acquiring mineral rights; so that, if he embarked on a Canadian exploration programme, he doesn't have to pay tax in Canada, but he wouldn't be allowed the cost of acquiring mineral rights. Now in the United States, he would be allowed the cost of acquiring those mineral rights, so that he would, I think, on balance prefer the United States, in that he would get his full allowance -- if he were unsuccessful he gets a very much better depletion allowance in the United States than he would get in Canada, and I think he would earn greater profits in the long run than he would if he came to Canada.

Now of course, as I started out, the amount of success which he had would make a great difference in his result.

MR. STEWART : Yes, quite. What is the significance then, of the discussion on pages twenty four and twenty five -- in exhibit one -- with reference to a western hemisphere trade corporation -- and then the first paragraph on page twenty five -- which refers to a reduction in the rate, of fourteen per cent. Does that mean that if I were incorporated in the United States as an oil producer I could re-invest in developing in the United States, and I could set up a western hemisphere trade corporation, incorporated in Canada, and re-invest funds in Canada, and I would get the fourteen per cent reduction -- in my income tax rates -- is that correct ?





MR. McLELLAND: I don't think so exactly.

This western hemisphere trade corporation, first of all, must be a United States company -- it must be incorporated under United States law.

MR. STEWART : Oh I see.

MR. McLELLAND : It must carry on substantially all its business in the western hemisphere - it must derive ninety five per cent of its gross income from sources outside the United States. So he has to be incorporated in the United States and he must operated outside the United States.

MR. STEWART: All right -- put me in that position then.

MR. McLELLAND : Yes sir.

MR. STEWART : I am still a United States Company - not investing in the United States - but I am incorporated under this legislation? I operate in Canada -- now what happens ?

MR. McLELLAND : Let me assume that you are very successful and you make large profits ---

MR. STEWART : No - no - I don't want to do that -- we will assume that the chances are equal -- in the United States - if I invested there.

MR. McLELLAND : Which would you do --well -

MR. STEWART : Say I invested here, so that that factor is out --

MR. McLELLAND : If you carried on your



operation in the United States - you would not get the benefit of this fourteen per cent reduction.

MR. STEWART: I see.

MR. McLELLAND : However, if you go into Canada with this type of corporation, western hemisphere trade corporation, first of all you would come under United States Tax Law - during the course of your losses when you were originally starting out -- not making any money. Those losses might be offset against other income, which you might have in another portion of the United States by way of consolidation, to consolidate the two companies. Then, when you started to make profits, you would be taxed under United States law, at this lesser rate of thirty eight per cent on your profits. But you would have to pay tax in Canada for the Canadian operation and the Canadian rate is forty seven per cent. By that method of calculating depletion you would have a higher income tax basis -- that is taxable income - in Canada, taxed at forty seven per cent and the effect of the tax rate in Canada, that is the actual amounts you would pay - is the per cent of your actual profits - which would be higher than thirty eight per cent by the workings of the depletion allowance. In other words, you would have a higher depletion allowance in the United States than you would in Canada, even though you had a lower legal rate in the United States than you have in Canada. The effect of the tax rate - that is actual dollars as a per cent of your profit - is higher in





Canada so that you would pay Canadian tax and then take it down to the United States and you would have to pay a smaller amount there against which you could deduct Canadian tax but not all Canadian taxes, which you paid in Canada. So finally you end up paying not United States Tax but Canadian Tax, the Canadian tax being higher.

MR. STEWART : As Mr. Gordon has said just now -- the moral is, before you do anything you had better consult a tax authority. I am beginning to realize that. However, I still have a point I would like to pursue and on which I would like clarification, because we have heard a great deal about this sort of thing --if there is a case in which it is possible for American funds to be transferred to Canada with advantage to the investor -- that is what I am trying to get clear -- it seems to me, in the first place, supposing you didn't go through this organization of the western hemisphere trade corporation -- then you come here and we know exactly what happens -- but somewhere along the line, this method apparently gives you a fourteen per cent advantage ?

MR. McLELLAND: That's right - and where it is an advantage is where the tax rate of the country in which this company is operating is lower than thirty eight per cent.

MR. STEWART : Quite.

MR. McLELLAND : For effectiveness.



MR. STEWART : It may be Venezuela or some other country but as it happens, this is perhaps the point I am really getting at --- you say, when you come to the end of this section in the conclusion, that we have to go along with U. S. Tax laws -- Now I don't want to beat any drums or wave any flags, and actually we are concerned with facts and not this sort of thing at all -- but that is the suggestion -- that this gives. The United States tax laws are calculated on certain products, and then we have to come in line. Now it seems to me in this case that you cite here - that this reduction in rate is designed to assist United States companies operating in foreign countries where the local tax rate is substantially lower than the United States tax rate --

MR. McLELLAND : Yes sir.

MR. STEWART : Would it not be possible, at least for the United States Law, to prescribe that the rate would be the same as in the particular country - instead of a flat fourteen per cent which will do one thing in one country - dependent on what its rate is - and another thing in another country ?

MR. McLELLAND : That is quite possible.

MR. WHITE ; May I get my feet wet ?

THE CHAIRMAN : Certainly.

MR. WHITE : I think the whole point of this particular preamble and discussion here, results in the fact that we, as Canadian operators, feel that the United





States operator usually has a better break on depletion than we have now. These are the two results, first it makes you theoretically anyway, and I think actually, less competitive when you try to sell against him and it does provide him with more money than you to put into the operation here; it may or may not, but I mean that is the obvious result. However, really if you count, there are very few companies operating western hemisphere trade corporations -- really this should not be put down as I am just guessing but I think there are three or four.

THE CHAIRMAN: We will take a recess while you discuss that off the record.

Recess  
After recess

MR. STEWART : I must say that I have found these exhibits extremely helpful in clarifying a problem which has been quite confusing to us in the way it has been presented.

THE CHAIRMAN: Well we would like to thank you again very sincerely for this presentation and also if I may say so - we would like to thank all the members of your company who have contributed to it. We are very grateful to you indeed and I am going to proposition you a little further after we adjourn to see if we can get a little further help you from you before the work of this Commission is concluded.

MR.WHITE - Very happy to do whatever we can.

THE CHAIRMAN - We will adjourn to 9.30.

-Hearing adjourned 6 p.m-



ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

TORONTO, ONT.

JANUARY 24, 1956

VOLUME 23





Toronto, Ontario

The sitting of the Commission in Toronto,  
continued in the Legislative Chamber, Parliament  
Buildings at 10:00 a.m. Tuesday, January 24th, 1956.

PRESENT: Mr. W. L. Gordon, Chairman;

Mr. Omer Lussier;

Mr. Andrew Stewart;

Mr. Raymond Gushue;

Mr. A. E. Grauer.

APPEARANCES: Mr. M. S. Berringer,  
President,  
British American Oil Company Limited.

Mr. J. G. Godsoe,  
Executive Vice-President,  
British American Oil Company Limited.

Mr. D. W. Ambridge,  
President,  
Abitibi Power and Paper Company Limited

Professor J. K. Galbraith,  
Harvard University.

Mr. V.C. Wansbrough,  
Vice-President,  
Canadian Metal Mining Association.

Mr. N. F. Parkinson,  
Executive Director  
Ontario Mining Association.

Mr. H. L. Roscoe,  
Noranda Mines Limited.

Mr. F. M. Connell, O.B.E., Q.C.  
Conwest Exploration Company Limited

Mr. H. Scott, Chief Geologist,  
Aeromagnetic Surveys Limited.



THE CHAIRMAN - Now Gentlemen if we can come to order. Dr. Gushue has just remarked that the last time he saw Mr. Godsoe he knocked six of his teeth out playing hockey. I hope the proceedings this morning will be a little quieter. We are most grateful to Mr. Berringer for his submission to us and we are looking forward to his presentation. So Mr. Berringer if you will carry on. I will mark your submission for the Record, Exhibit 126.

MR. BERRINGER - Thank you very much Mr. Chairman and gentlemen of the Commission. It is a pleasure for us to be able to make this submission to the Commission and I will just proceed with the reading of it.

During the last quarter century, particularly since 1947, Canada's petroleum industry has had a phenomenal growth, one of the most spectacular of any of the nation's major basic industries. Yet, looking ahead, the vast needs for energy, coupled with the essentiality and convenience of its products and the resourcefulness of the industry when operating within a favourable economic environment, should bring a further and continuous surge of growth for the petroleum industry.

Furthermore, the nature of this future growth in relation to activity within Canada can be





influenced greatly by broad national economic and government politics. Most certainly, policies of foreign friendly governments on some specific points, such as the importation of Canadian crude oil and natural gas into the United States, are of very large concern to both Canada and the petroleum industry. Yet there is a wide area of key features which are substantially within Canada's own hands or at least amenable to negotiation with other governments.

In order to properly evaluate the significance and problems of the industry, it is necessary to place it in relation to the nation's total economic activity. First, a very brief glance at growth over the past quarter century is both interesting and pertinent.

Measured by gross national product (in constant dollars in order to eliminate the effect of price changes) Canada's economy has grown to approximately two and one-half times its 1930 level. The petroleum industry, in terms of product consumption, has grown to a level approximately five and one-half times during the same period. This has meant an increase in per capita consumption from three point six barrels in 1930 to thirteen point one barrels in 1955, a figure over three and one-half times the 1930 level.



The level of activity and the prosperity of Canada's economy depend in large measure on the availability of adequate supplies of energy. Canada's energy requirements in the past twenty-five years have risen (based on data published by C. L. O'Brian of the Dominion Coal Board) from approximately one thousand two hundred trillion B.T.U.'s in 1930 to two thousand, six hundred and forty trillion B.T.U.'s in 1955, an increase of over one hundred and twenty per cent. The share of total energy provided by liquid petroleum rose from nineteen per cent in 1930 to forty-nine per cent in 1955 while natural gas increased from less than three per cent to nearly six per cent in the same period.

Until the discovery of the Leduc field in 1947, Canada was a relatively small producer of its own crude oil requirements, equalling only about nine per cent of its needs in 1946. Crude oil production increased from twenty thousand barrels a day in 1946 to over three hundred and fifty thousand barrels a day in 1955, equivalent to approximately fifty-eight per cent of Canada's requirements. Actual production rate was lower than the maximum efficient rate due to lack of adequate markets, but it is currently estimated that Canada could supply, from existing wells, more than the nation's requirements of six hundred thousand barrels a day of crude oil. The present maximum efficient





rate of production is reported to be almost double the actual production rate.

So much for history. Perhaps an outstanding characteristic of the industry has been the spirit of venture and positive approach to meeting problems and the policy of continuous planning and looking ahead. What, then, will be the pattern of industry growth and the major problems which will have to be met and solved during the next quarter century?

In line with our normal forecasting programme, we have prepared estimates covering the fundamental growth factors which have to be considered in looking ahead for the next twenty-five years to determine Canada's energy requirements. Exhibit 1 exemplifies that. We have had independent checks made of our figures and have examined all sources of information available to us in order to ensure that our forecast figures are as dependable as possible.

Population is a vital factor in the growth of the country and we believe that, by 1980, it appears to be reasonable to expect Canada's population to be approximately twenty-eight million, which will represent an increase of almost eighty per cent over 1955. By 1980, we forecast there will be seven million occupied dwellings, which is double the 1955 figure. This will give rise to a greatly increased demand for



heating energy. We forecast the number of motor vehicles by 1980 to be more than twelve million, three times the 1955 figure, again requiring vastly increased quantities of energy for motive power.

By 1980, gross national product will approximate seventy billion dollars, which will result in nearly three times today's output of goods and services. This assumes a high level of economic activity. The effect of major developments, such as iron ore and base metal activities, and improvements in the transportation system, such as the St. Lawrence Seaway, have been considered in these estimates, as well as the more efficient use of energy in the future.

In the next twenty-five years, we foresee many changes in automotive engines, with fuel injection systems, new combustion chamber designs and finally the introduction of gas turbine engines. It is expected that piston engines will continue to be built for at least fifteen more years and the transition may be gradual but could result in elimination or stabilization of the octane rating of gasolines which have been increasing at a high rate due to the insatiable demands for higher and higher compression ratios in modern vehicles. While other major changes are possible, it is the consensus of automotive engineers that solar power and atomic power are very unlikely to have any major application to





automotive engines in the next twenty-five years.

Taking into consideration all of the above factors, we estimate that there will be an energy requirement in Canada of six thousand eight hundred trillion B.T.U.'s in 1980. This is two and one-half times the 1955 requirements of approximately two thousand six hundred and forty trillion B.T.U.'s.

We have investigated the possible sources of energy available to meet the above requirement, and based on the best information available, it would appear that petroleum and natural gas will be required to supply over seventy-one per cent of the total energy needed by 1980 to support the expanded economy of Canada. This is graphically illustrated in the chart shown on the opposite page.

The demand for natural gas for Canadian consumption has been calculated (based on extension of data published by the Dominion Coal Board) to be four hundred and twenty-four billion cubic feet by 1980 and we do not believe, at this time, that there is sufficient experience to determine any better figure for future Canadian demand. Even if this figure should vary by fifty per cent, the effect on the remaining energy requirement from petroleum will be relatively minor. The above figures for natural gas exclude any exports which could be quite material.



With this in mind, we forecast that the Canadian requirements of energy from liquid petroleum will be more than seven hundred and sixty million barrels, practically three and one-half times the 1955 demand of two hundred and twenty-three million barrels.

We have carefully weighed the part that atomic energy will play in future requirements. It is our belief that ten or fifteen years are required before any evaluation can be made of the full potentials of atomic power and its chief contribution will, in our opinion, during the next twenty-five years be in the form of production of electrical energy. Based on estimates prepared by Dr. J. Davis of the Department of Trade and Commerce, allowance has been made for the part that atomic energy might play in supplying electrical energy in 1980, and we believe this to be the best possible estimate that can be made at this time on this newest source of power. We do, however, believe that there may be many applications of nuclear fission and by-products in manufacturing processes and attention is being focused, even at the present time, on the use of this in refining of petroleum products. This, of course, does not constitute a source of energy but may be of material assistance in maintaining industrial efficiency in the future.





The petrochemical industry, although a relatively new one in Canada, has had a phenomenal growth and now represents an investment of over three hundred million dollars. With the ever-increasing number of synthetics having a petroleum base, as well as the availability of by-products of natural gas such as sulphur in large quantities, it is estimated that the industry will grow at an annual rate in the area of fifteen per cent.

However, even a major increase in this field will, with its consequent demand for petroleum, be relatively minor when compared with energy demands for petroleum. In the United States, where petroleum is the base for twenty-five per cent of all chemicals produced, the demand (as a raw material) represents only one per cent of the total petroleum produced.

With the above indicated requirements in 1980 to supply the needs of Canada's economy of seven hundred and sixty million barrels of crude petroleum as well as large volumes of natural gas, it is apparent that these requirements can be supplied by one of two alternate means: (1) from the development of Canada's own natural resources; or (2) by importation, at least in part.

With the knowledge that large unexplored potentials still exist in Canada for the finding of crude



oil and natural gas and that the development of this industry can play a tremendous role in the improvement of Canada's economic position, it is apparent that a vigorous and continuous programme of exploration and development is warranted to find sufficient reserves to support the production rates previously indicated.

In 1955 maximum efficient rate of production is indicated to be just over eight per cent of estimated reserves. This checks very closely with the experience in the United States over the past few years. Based on this figure of eight per cent, reserves in the magnitude of ten billion barrels of liquid hydrocarbons are required in 1980.

From 1946 through to 1954, over a billion and a half dollars was spent in crude oil exploration and development and approximately one billion dollars in refining, transportation and marketing facilities. In addition to this, a further half billion dollars was spent for petrochemical and allied plants. With this in mind, the discovery of sufficient oil to not only support the necessary production rates over the next twenty-five years but also to increase reserves to ten billion barrels by 1980 will entail the investment of tremendous sums of money. Additional large amounts will also be required for construction of refineries, transportation and marketing facilities. Besides expansion in





volumes, major capital expenditures will also be needed to provide the equipment made necessary by the technological demands for improved internal combustion fuels and lubricants.

Even based on present expenditures of approximately four hundred million dollars in 1955 for exploration and development, it is apparent that investment in the area of ten billion dollars would be required as a minimum over the next twenty-five years for this primary phase alone.

With the prospects of this development, there are several important problems facing the oil industry which could present serious obstacles in the necessary growth of the industry to meet the country's requirements. We believe that serious attention should be paid to these aspects and that the proper solution of the problems involved will go a long way to ensuring adequate supply of basic energy fuels for Canada's economy.

1. Markets for Canada's Crude Oil - In pointing out the task that lies ahead for the petroleum industry if it is to play its proper part in supplying the country's energy needs, it should be noted that this assumes that Canada will be able to supply all of its own requirements from its own reserves. It may well follow that self-sufficiency in Canada should be, for



economic reasons, a matter of net self-sufficiency, with importations into some areas offsetting exports made to more economic markets.

One of the major problems facing the industry today, and which has an effect on the production rate and, hence, on the return to the investor, is the lack of sufficient markets for Canadian crude oil to absorb the maximum efficient rate of production which is possible even today. It has been previously pointed out that we could almost double the existing production rates if additional markets were available.

In order to provide these markets, there are two possibilities: (1) Supply the balance of Canada's refineries, particularly the Montreal refinery area, with Western Canadian crude. (2) Export sufficient Western Canadian crude oil to offset any required imports into areas where Western Canadian crude oil cannot compete. At the present time, the natural markets lie in Northern United States.

Montreal and maritime refinery areas lie within easy reach of Venezuela and other foreign sources, and it will depend on the economics involved in ocean transportation and the crude oil price in these foreign countries as to whether or not Western Canada crude oil can, at any time in the future, successfully compete.





If export markets are to be the answer for the growing supply of Western Canada crude oil, the Canadian exporter will have to meet the competition of American producers for these markets. Since Western Canadian crude is priced on a basis of the competitive price at Sarnia of comparable U.S. crudes, the major difficulty to overcome is the question of import taxes levied by the United States. The present import tax into the United States is ten and one-half cents a barrel on light crudes (twenty-five degrees A.P.I. gravity and lighter) and five and one-quarter cents on heavier crudes (those under twenty-five degrees A.P.I. gravity). This import tax places the Canadian exporter at a disadvantage with American producers for U.S. markets. Canada, on the other hand, allows the importation of crude oil free into her country and the protection afforded to the American producer very seriously hinders expansion of Canadian export markets without considerable disadvantage to the producer in the form of reduced well head prices. Viewed in the light of North America as an entity for defence purposes, this is anomalous.

These matters require careful study and could have considerable effect on the rate of growth and the incentive to producing companies to find larger reserves of oil in Canada. It might well require joint



consideration of both the United States and Canadian governments if a mutually satisfactory solution is to be found, both as to economic factors and defence requirements.

2. Taxation - In order to develop Canada's petroleum resources, it is essential that every incentive be given to encourage Canadian risk capital to be spent in an ever-widening search for greater reserves. At the present time, restricted markets for Canadian crude oil and consequent long periods of recovery, coupled with the fact that field prices are held at a low level to be competitive with comparable U.S. crude oils, result in a comparatively low rate of return.

There is a real question as to the adequacy of the present incentive provided by income tax regulations. These do provide, in principle, for the application of depletion to wasting oil reserves which is intended as recognition of the need to provide further funds to replace the oil that has been produced. However, all expenditures for exploration and production are required to be deducted from gross income before a base is established for calculation of depletion, regardless of the fact that the expenditures may have been in no way related to the properties from which the production was obtained. This nullifies, to a great





extent, any incentive (by way of depletion allowance) to go out and find more oil. Actually, a company can take advantage of depletion deductions only to the extent that it reduces its expenditures in searching for new oil and is content to produce the oil it has found up to that time. We believe this is a very serious situation and some action is required if free development is to take place.

The Commission already has had laid before it submissions indicating the disparity between the provisions of the tax laws of the United States in regard to petroleum production and those of Canada. Exhibit II which is attached to this report tabulates the main differences with reference to allowable deductions and depletion. The variation in these laws does serve to place the integrated U.S. oil company operating in Canada at an advantage to its Canadian counterpart. The U.S. oil company is able to claim (for U.S. tax purposes) a deduction for certain expenditures and also depletion allowances on its production in Canada against income from other sources in the United States. This reduces the amount of tax it pays in the United States so that its net cash outlay for Canadian operations is less than for the comparable Canadian company. It is, therefore, in a position to spend relatively larger amounts to acquire desirable



acreage than the Canadian company can afford under the same circumstances. This tends to limit the ability of the Canadian oil company to participate in the development of Canada's petroleum resources.

Our Company is in a better position than most of the Canadian oil companies to see the effect of taxation on a comparative basis in both Canada and the United States, since long before the discovery of Leduc, we had a flourishing producing subsidiary in the United States. We have also played our part in the development of Western - Canadian resources and we have noted with some concern that production obtainable in the United States has two considerations in its favour which do not apply to Canada.

(1) The present market proration in effect in Western Canada means a tremendously long pay-out with low production rates compared to the reserves available. In the United States, ratio of production to reserves is about double the Canadian ratio, or in other words, in the United States reserves can be produced in about twelve and one-half years as against a Canadian rate of about twenty-five years. This, together with low well head prices, means a low rate of return on the moneys invested to the point where, at times, the return on the investment involved is not too attractive.





(2) The application of depletion allowances in the United States, in addition to a generous scale of deductions for intangible investment in exploration and development, does permit the American company to operate in the United States on a more favourable economic basis, as far as taxes are concerned, in its search for oil than for comparable activities in Western Canada. It is apparent that, if our own United States operations occurred in Western Canada, we would be at a much greater disadvantage under Canadian tax laws than we presently enjoy in the United States.

Exhibit III is an illustration (in a hypothetical situation) of the adverse effect of Canadian tax laws with respect to depletion allowance as compared with those in the United States.

We recommend that to provide the required incentive to Canadian taxpayers and to put the Canadian producer on the same footing as his U.S. counterpart, the present income tax regulations be amended to require that in computing income subject to depletion, only expenditures incurred in respect to producing properties need be deducted from the income from production obtained from those properties. This, in effect, is the United States policy which has assisted, in no small measure, in the development of the oil resources of that country.



3. Highways - Another major problem which will have to be met and which affects all three levels of government in Canada is the creation of adequate highways to permit movement of the much larger number of vehicles which will be required with an expanding economy in 1980. We estimate that there will be approximately twelve million motor vehicles in operation in 1980, three times the 1955 level, and with the inadequacy of existing highways, a tremendous job will have to be done if adequate highways are to be built. While it is quite apparent that costs of construction and maintenance of all types of roads are mounting and bigger capacity highways are required, this does pose a very considerable problem as to where the funds will be obtained to create a dynamic expanding system of road and highway construction.

The oil industry feels that the gasoline tax already is far in excess of that levied on any other necessity and substantially higher than any similar tax in the United States. Further increases beyond the present levels could have the effect of pushing the tax up to the point of diminishing returns. Taxes cannot be increased indefinitely without affecting sales volume, and perhaps new ways must be found to pay for the highway programme.





This problem, which affects all governments, is one which will require serious and immediate attention if the needs of the country are to be met and expansion not deterred by inadequacy of highway facilities. In a country growing at Canada's rate and with Canada's needs, continuous and joint study must be made by all those concerned and action must be taken to bring the supply of highways close to the demand.

#### 4. Training of Qualified Personnel -

One of the problems that concern the oil industry is the acute shortage of trained personnel required for the development of our resources. Technological advances are at an ever-increasing rate and require continuously greater skill and training of personnel if their potential is to be utilized. With greater complexity, broader training in all phases of education is required.

The problem is to provide for the expansion of our university training staffs and university facilities to accomplish the accelerated programme that will be necessary to meet Canada's expanding needs. We believe that this is a problem which requires immediate and careful consideration from appropriate government levels, and since the Federal Government has made a start with their grants-in-aid programme to Canadian universities, this matter is of concern to



to it as well as the Provinces, in order to solve the whole question of adequate university facilities and under-graduate and graduate training.

This problem is of national and economic significance and is a matter of primary importance if Canadians are to play their part in the expanding industrial activities which are indicated in our forecast for the next twenty-five years. We recommend that plans be made for educators, the various governments concerned and industry to get together and arrive at a plan in which all can play their proper part and which, when implemented, will arrive at an adequate solution without infringing on the constitutional rights of any one group.

Conclusion - We have tried very briefly to set before the Commission our best estimate of Canada's growth over the next twenty-five years and the part that the petroleum industry will be required to play in this expanded economy. We have pointed out that it lies within the policies of the Government to provide certain incentives to this growth and it is in their hands to implement constructive long term policies which will ensure the full development of the nation's resources and provide a favourable economic climate for the necessary growth of the industry.

THE CHAIRMAN - Thank you very much Mr. Berringer. I expect we all have a question or two we





would all like to ask and may I start the proceedings. On page 10 you refer to the Montreal and maritime refinery areas. I presume the reference to the Maritimes was just put in by your associates, I don't know whether that is true or not, that they lie within easy reach of Venezuela and other foreign sources and it will depend on the economics involved in ocean transportation and the crude oil price in these foreign countries as to whether or not Western Canada crude oil can, at any time in the future, successfully compete. Now of course that is a pretty important question and raises a series of questions because, presumably, if Western Canada crude cannot compete in the Montreal markets now, when the seaway opens at least it may expect some competition in the Ontario market. Is that not a fair presumption?

MR. BERRINGER - From foreign crudes you mean in the Ontario market?

THE CHAIRMAN - Yes.

MR. BERRINGER - I don't believe that is a fair assumption. Foreign crudes might conceivably come into the Ontario market but I don't believe the industry fears that too much because, after all, the number of vessels or tankers that could come into the Toronto area would be limited and the very large tankers that are now plying the ocean would not be able to come in, even after the Seaway is built, into



the Ontario area.

THE CHAIRMAN - What are the chances of Canadian crude getting into the Montreal market one of these days? Is that possible without a tariff?

MR. BERRINGER - By decree of the Government, probably that might be done in that way, but in competition with foreign crude, if it is on a straight economic basis, that time isn't ripe now. It appears that it might take a tariff.

THE CHAIRMAN - Then you talk on the same page quite a bit about the United States tariff and I wonder whether the remarks imply that Canada should introduce a retaliatory tariff at least against the United States.

MR. BERRINGER - I don't think we are advocating that but we are merely citing the fact that Canadian crude does have to overcome the tariff of ten and a half cents and five and a quarter cents in order to compete with the United States crude. Mr. Godsoe just points out to me it would be a great help if we could get the United States to permit Canadian crude to go in there free.

THE CHAIRMAN - Into the United States?

MR. BERRINGER - Into the United States.

THE CHAIRMAN - Well sure it would, but how do you propose going about that? We have heard





that in every industry so far it would be nice if we could get into the American market but, what would you suggest?

MR. BERRINGER - I will let Mr. Godsoe deal with that. He has referred to the question and he can answer it.

THE CHAIRMAN - Is there any reason for thinking they would drop a tariff against Canadian oil while presumably there is not much chance of their doing it against other Canadian products?

MR. GODSOE - Well I don't know, naturally, whether they would do it or not but I would think that the Canadian government had a very strong case to put forward to them whereby they should give consideration to it, and that is on the grounds of future national defence, if on no other grounds. The point that Mr. Berringer was emphasizing, we are not asking so much that the Canadian Government indulge in retaliatory tariffs sir, it is much better not to do that, but for the United States, where it does not open a market to our crudes, to consider the problem of our common defence. We should indulge in discussions with them and attempt to have them do so on that broad basis.

THE CHAIRMAN - Well I couldn't agree with you more. It would be lovely if it happened, but I must say that I haven't heard of any reason for being



optimistic that it might happen. On page 12 you are talking about depletion and towards the end of the first paragraph you say - "actually a company can take advantage of depletion deductions only to the extent that it reduces its expenditures in searching for new oils and is content to produce the oil it has found up to that time." "We believe this is a very serious situation and some action is required if free development is to take place." Now what specifically do you suggest?

MR. BERRINGER - At the bottom of page 14 is our recommendation on that.

THE CHAIRMAN - I see.

MR. BERRINGER - We recommend that to provide the required incentive to Canadian taxpayers and to put the Canadian producer on the same footing as his U.S. counterpart, the present income tax regulations be amended to require that in computing income subject to depletion, only expenditures incurred in respect to producing properties need be deducted from the income from production obtained from those properties.

THE CHAIRMAN - Yes. Well I quite agree that Canadian companies should not be penalized tax-wise or in any other way compared with American companies or any other companies but apart from that, I presume that any depletion allowance in excess of costs in





excess of the capital that is invested, really represents a lower rate of tax for one industry as compared with another. Now it could be argued that the oil industry pays a lower rate of tax than, for example, a privately owned utility in the hydro-electric field. I haven't been getting together with them -- but it is a large industry which also must expend huge sums of money on development. What I am searching for is, why there should be a lower rate of tax on one industry than on another, which is what happens through a depletion allowance which is not restricted to cost. What would you think of a scheme which allowed companies to write off their exploration expenditures, their development costs, their capital expenditures as far as they liked -- but which would require them to pay the full rate of tax on their full profits once their original capital expenditures were recovered?

MR. BERRINGER - Mr. Godsoe you might attack that question would you?

THE CHAIRMAN - That is an easy one.

MR. GODSOE - That is not an easy one.

It would certainly be better than the present practice but I don't know without looking into it, whether we would like to commit ourselves here that we would be happy with it, but I don't think the test is so much what hydro are doing compared with the rest. I think



the test is really the example of what is occurring here in the development in Western Canada with the U.S. companies. Some of them haven't that advantage. I think that is in part an answer to some of the questions that were raised by Premier Manning, who, I think from press reports, indicated to the Commission that Canadian risk capital wasn't playing its part as widely as United States risk capital in the development that is occurring in Alberta.

THE CHAIRMAN - It has been suggested to us that certainly the difference in tax rates and policies are important but that that is not the whole question by any means. I was going to ask you whether you had any ideas as to how Canada or Canadians might become more interested financially in the oil industry in this country. I don't think it is just a question of comparisons of Canadian and U.S. laws. I think that has got a lot to do with it but it is not the whole story.

MR. BERRINGER - Well, compared with American companies operating in Canada, that advantage places them in a preferred position. When they require Crown leases they go out and buy Crown leases and they pay prices for them that we couldn't possibly pay.

THE CHAIRMAN - That's right Mr. Berringer, but that alone would not correct the situation, if correct is the right word.





MR. BERRINGER - It would help, it would help.

THE CHAIRMAN - Well perhaps it might help but if it didn't do much more about it, it wouldn't be very effective.

MR. BERRINGER - I respectfully request you to look at Exhibit III where we have calculated a hypothetical position.

THE CHAIRMAN - Yes I have.

MR. BERRINGER - With a less considerable amount of money, that is.

MR. STEWART - Is not the flow of Canadian risk capital into the oil industry dependent upon the opportunities open to Canadian investors?

MR. BERRINGER - Definitely, definitely. In other words, the interest has to be available for the Canadian buyer to buy.

MR. STEWART - Yes, but whether Canadian risk capital will flow into the oil industry or into other industries depends upon not the United States situation at all, it depends upon the attractiveness of different investments in Canada.

MR. BERRINGER - Oh definitely.

MR. GODSOE - If this was remedied along the lines we suggested, Sir, it would make an investment in Canadian companies much more attractive than they are



at the present time because they could improve their reserve position to a degree in Canadian crude reserves that they are not enabled to do at this time.

MR. STEWART - That is right. Probably drawing it away from mining and other reserves.

MR. GODSOE - Yes. Drawing away from investment by United States sources too.

MR. GUSHUE - You have referred to a system of market preparation in Canada as against the United States but you made no suggestion as to what you think as to what, if any, treatment should be accorded this situation. Is it just a question that nothing can be done about it or --- ?

MR. BERRINGER - Do you mean increasing the market?

MR. GUSHUE - Yes, you make no suggestion.

MR. BERRINGER - On the oil market has to be increased in order to increase production per well.

MR. GUSHUE - Well how is that organized or accomplished, by Government or industry?

MR. BERRINGER - Well, economics regulate it today. In other words, we would be able to sell wherever we could compete with crude oil from other parts of the world. On the West Coast there is some crude oil movement into the Washington market and the California market and crude going into the States, that is the





Northern States, like North and South Dakota and Minnesota, Wisconsin, would take more of our Canadian crude because it is economically feasible to be moved into those areas, if we could just meet the price.

MR. GUSHUE - I am not sure that you understood my question. I was speaking of a system of market proration. That is the question that you were asking in your brief.

MR. BERRINGER - The Conservation Board has this proration order. That is the production load per well. If you mean something different there, if you refer to the proration say of the actual market, there is no such thing.

MR. GUSHUE - Oh no, no. I am referring to what you say on page 13 of your brief and I was just wondering if you could give us any other points or any suggestions, because you have made no suggestion as to what might be done with regard to it. I am just wondering if that point has to be left alone or what you are suggesting.

MR. BERRINGER - We point out that the market might be increased by the use of Western Canadian crude oil in the Montreal area. That was one, but from an economic standpoint it can't be done because we can't today compete with Venezuela crude oil or Middle-East crude oil.



MR. GUSHUE - So there is nothing to be done today on that particular point is that it?

MR. BERRINGER - No I don't think so unless the Government takes some action.

MR. GUSHUE - You made no suggestion.

MR. BERRINGER - No we made no suggestion. We have no suggestion.

MR. BERRINGER - Mr. Ambridge, if you would allow us five minute's break before we proceed?

---Recess.

After Recess----

THE CHAIRMAN: Now perhaps we can come

to order please, the next submission will be presented

by Mr. D. W. Ambridge on behalf of the Abitibi Power and Paper Company Limited, which will be marked Exhibit No.

127 for the record. The Fire Marshall, incidentally, asks that there should be no smoking - I think the truth of the matter is that the Government has bought a new rug of which they are very proud and would be upset if there were any holes burned in it.

Mr. Ambridge, would you like to take over now ?

MR. AMBRIDGE : Mr. Chairman, I am afraid I didn't come adequately equipped with copies of my report for your use and I apologise, but I think perhaps there are enough for the purposes of the Commission.

THE CHAIRMAN ; Oh yes.





MR. AMBRIDGE - In the preparation of my statement to the Commission I have assumed that the Commission would like to have my views as to the future of the pulp and paper industry in Ontario. I have therefore confined anything I have to say to the Province of Ontario.

THE CHAIRMAN : I think that is particularly appropriate because, as you can imagine, we have heard something about the industry as far as its prospects in British Columbia and Quebec are concerned - also Newfoundland - and I think we should hear what is going to happen in this Province.

MR. AMBRIDGE - Let me say at once that in my view the future of the pulp and paper industry in Ontario can be made a many splendoured thing. I agree with the conclusions reached by Mr. R. M. Fowler that there will be a world market for about twice the present tonnages of pulp and paper products from Canada in Nineteen hundred and eighty. This, however, is not to say that Canada will automatically and inevitably sell twice as much in Nineteen hundred and eighty as she does now. A lot of effort is going to have to be expended by the nation if this glittering possibility is to become a reality.

The purpose of this statement is to shed some light on the question whether we in Ontario can expect to be able to share proportionately in this increased market for pulp and paper products which every prophet, both



professional and amateur, has forseen in every study which has been recently undertaken.

I have been giving some careful thought to the enormous requirements of capital and of natural resources which must be found if Ontario is to contrive to keep or even to increase, her share of this greatly expanded market demand.

At the moment Ontario produces well over two million tons of newsprint and something like five hundred thousand tons of market pulp every year. Can we contrive to produce another two million tons of paper and another five hundred thousand tons of pulp in the next twenty five years ? That, as William Shakespeare remarked, is the question.

The capital required for this job of work is staggering. I have had some experience in the provision of funds for expansion in the pulp and paper industry, and in my view it will be necessary for our industry to dig up out of earnings and by borrowing something like seven hundred and fifty million dollars, or say, something between six hundred million dollars as a minimum and nine hundred million dollars as a maximum, although setting a maximum on costs these days is a dangerous business. However, the point is that if Ontario is to keep her share of the market hundreds of millions of dollars are going to have to be spent, and they will have to be provided in all probability by the existing companies in the industry.





I am understandably dismayed by the cries which have recently been raised about the astronomical profits of the newsprint companies, about their greed for gold etc. etc. We must have returns on the capital we employ if we are to be able to achieve the very large financing operations which I have just mentioned. One of the great results which I hope will come from the labours of this Commission is the opening of the eyes of many people to the future which lies in store for our great country.

When considering the very large demands upon our capital resources we should keep in mind the fact that the Canadian pulp and paper industry labours under the considerable disability that the paper mills are permitted to operate only six days a week, while in the United States seven day weeks are the rule. The capital requirements of the future can be reduced by some ten per cent if the mills were to be enabled to run seven days a week when the market requires it.

Let us turn now to the requirements of labour and of natural resources if we are to keep our place in the procession. About a labour supply for the mills there can be no doubt. In the first place, workers in our industry like their work. Pay is good, working conditions are good, employment is steady and promotions are plentiful for the ambitious. There is more



doubt about the labour supply for our woods operations.

At present native Ontario labour only supplies about forty per cent of the requirements and sixty per cent comes from the neighbouring provinces. It is evident that we shall have to make the greatest efforts to reduce the number of men required and to improve the steadiness of employment in the bush. In the last ten years working conditions in the pulpwood camps have been revolutionized, to put it mildly. Here, however, is an area where much thought and great ingenuity will be needed during the next two or three decades. I am, however, confident that this problem can and will be solved and that those of us who are still here in Nineteen seventy will look with astonishment at what will have been accomplished by then.

Let us now consider natural resources - the most important of which - in our industry, power, wood and water.

In view of the fact that Dr. R. L. Hearn is to discuss with you the power future of the Province, it is not for me to take up your time with a lengthy review of our power situation. But as a very large customer of the Hydro-Electric Power Commission it seems to me that it may be useful for me to make some few observations from the point of view of the user of power. First of all, it is of great importance that the industry have accessible to it an adequate supply of cheappower, cheap being used in its relative sense.





Our industry uses a great deal of power and one of our major reasons for existence is the fact that papers which contain groundwood have always been cheaper to produce than any other grades of paper. Hence newsprint which on the average contains seventy five per cent groundwood is the low man on the totem pole of paper prices, and will so continue just as long as there is cheap power and cheap wood, relatively speaking.

If I have any message for the Hydro it is this. Develop any hydro-electric power sites that remain. We will use their output without doubt and for years to come hydro power in the outer reaches of the province will continue to be the most economical source of power and hence the most important source, so far as the pulp and paper industry is concerned. I am told that there are sites in Northern Ontario capable of producing well over one and a half million horsepower. Whether all this can be economically developed I do not know, but whatever part of this block of potential hydro power can be developed should be developed. There can be no doubt that other sources of energy, gas, oil, coal, yes and perhaps uranium, will play increasingly important parts in the pulp and paper industry, but so far as I can see hydro-electric power will continue to be our prime source and the basis for our prosperous existence.

Our industry uses immense quantities of water for process purposes and fortunately in Ontario we have



very large amounts of this important natural resource.

The rivers of Ontario can be depended upon and the Great Lakes are of course one of the wonders of the world.

There will be no water shortage and this happy state of affairs is in marked contrast to some of the other paper producing areas of this continent where supplies of clean process water are diminishing and are barely adequate even now.

One aspect of this water problem should receive far more attention in Canada than it gets at present. A paper mill sucks in huge quantities of clean water and discharges equally huge quantities of effluent which carries with it the wastes of the process. Wood fibre, clay particles, chemical solutions and sewage are being thrown into the rivers of Ontario in huge quantities. So far as the northern rivers coursing as they do through vast tracts of sparsely inhabited country can absorb these wastes without harm to anybody, but the day is not far off when very large sums will have to be spent by our industry to clean up the effluents from our mills. The conservation of our clean water resources is of prime importance to our industry and to our people.

The solution of these effluent problems is not simple and a great deal of effort will have to be made by all concerned. It is one of the multitudinous problems which must be tackled and overcome in the next few decades. Its solution will require effort, public spirit





research and money. I have confidence that it will be solved.

And now we come to the most important natural resource of them all -- wood. Because the pulpwood forests belong to the people the use of these forests is inevitably a matter of controversy, and many people often lose sight of the fact that a forest is only an asset if it is being harvested.

In the past few decades there has grown up in the minds of the users of forests the very sound idea that forests should be managed and that the annual cut in any area should never be more than the annual growth in that area. This is the principle of what is called sustained yield and this is the principle upon which are based the following observations.

When we come to appraise the forests of Ontario to see whether the production of pulp and paper products can be doubled in the next twenty-five years we must be careful to define our terms. Not many years ago it was generally believed that the only species of trees which were suitable for the manufacture of newsprint and of sulphite pulp were spruce and balsam. Today my company uses jackpine as we encounter it in our cutting operations and we are beginning to use appreciable quantities of poplar and birch in the production of paper pulps for special purposes. Furthermore, we have developed a special process for the manufacture of the sulphite pulp used in newsprint which



results in the saving of very large quantities of wood which formerly went down the river in solution. All of these steps forward have been due to the serious research efforts which we have been making in the last eight or ten years. In addition, it is our view that very much more will be done in the next ten years and that we will be able to increase the productivity of usable fibre of our forest areas by a substantial percentage. So it is that an area which can grow, say twenty thousand cords of spruce and balsam a year may also be able to grow another twenty thousand cords of jackpine, poplar and birch. At present these species in many cases are not fully accepted as sources of paper making fibre. When they are, and they will be, the fibre potential of an area will be greatly increased.

We believe that it will be possible to support the industry in Ontario when it is producing twice its present tonnage but only if the principles of forest management are applied, only if fires are suppressed successfully, only if the industry carries on research work intelligently and vigorously, and vastly increases its expenditures on research and development.

The fate of the sawmill industry in Ontario has often been the subject of debate - on the platform and in the press. It is my belief that the last big tree so dear to the hearts of poets is here now and that in the future we will not have time to wait for the giants of the forests to attain their full stature. The demand for forest





products will make it necessary for us to cut trees when they have reached the peak on their growth curves, so that every acre of accessible forest land will be able to produce a maximum tonnage of fibre.

More and more is artificial- hardboard, plywood, particle board replacing the lumber of the sawmills, and I am confident that this trend will not only continue but at a faster pace. My own company is building a multi-million dollar plant to produce what we call platewood, sheets of lumber up to one inch and four feet wide by eight feet long made entirely from small diameter poplar logs. This material has been fully tested in furniture factories and in a multitude of other uses where it will replace ordinary lumber because of its superior qualities. This is only the first plant, the results of our research, but we are very sure that it is not the last plant we will build and that we are only at the threshold of a vast field for what may be called synthetic lumber.

Yes, we believe that if we carry out our various tasks in the forests intelligently and with enthusiasm then we can very much increase the production of forest products in Ontario in the next few decades. Before I conclude, I should like to draw again to the attention of the Commission the size of the job we are handing on to the next generation of planners and executives and engineers and research workers in our industry here in Ontario.



Let me recapitulate. Firstly, hundreds of millions of dollars must be both earned and borrowed to provide the facilities for production. Secondly, this money must be spent wisely by the designers of the new mills and other installations. They must be trained men who know how. Thirdly, the most intensive efforts in research and in forestry, in the mechanical arts of management must be steadily and relentlessly devoted to the solution of the problems of this hoped for expansion.

This is an outline of the task before us and our successors. We will not succeed in this task if we are to waste our energies and dissipate our strength in ill-tempered bickering and mutual recriminations between various groups in our society. If the doubling of our great industry is a worth while adventure for our province then it merits the support and active cooperation of all the people in the province. Let us hope and pray that your Commission may succeed in lighting the fires of ambition in all our hearts and let us pray that all of us may put our hearts into the achievement of the deeds we aspire to.

THE CHAIRMAN : Thank you Mr. Ambridge.

MR. LUSSIER : Mr. Ambridge, you mentioned that in the future there may be a lack of supply of woods labour -- and I think you are right, because woods I think is pis aller -- is the worst thing --

THE CHAIRMAN : Second base.

MR. AMBRIDGE : Second base ?





MR. LUSSIER : Yes.

THE CHAIRMAN : They don't like it.

MR. LUSSIER : They don't like it -- they go there if they can't do better elsewhere.

MR. AMBRIDGE : You could say that about a factory job.

MR. LUSSIER : That may be, but it seems to be worse.

MR. AMBRIDGE : I mean nobody goes to work in a motor car factory because they are in love with the motor car business, or anything -- they go there because that is where they can get a job.

MR. LUSSIER : But for instance, in the past - I should say ten years ago - and maybe before, they were experimenting with labour, because industries in the cities were increasing and taking much of their labour, as they preferred working in the city to working in the bush -- you probably know all about that --

MR. AMBRIDGE : Oh I understand that very well - as a matter of fact we had a sociological study made two or three years ago to determine why it was that people did go to the bush to work and if so, where they came from and what their circumstances were - and we made a very detailed study with a report that thick - so I think I know a little bit about it.

MR. LUSSIER : So they had to considerably



improve conditions for woods labour as you are mentioning should be done - and if you look at the Swedish country you can see just how far this has gone, so far as conditions for labour, in the Bush, are concerned.

MR. AMBRIDGE : We could get it from where?

MR. LUSSIER : From Sweden.

MR. AMBRIDGE : From Sweden -- no no - we have nothing to learn from the Swedish as to how to treat our men in the Bush - let me tell you that. I was in Finland this summer.

MR. LUSSIER : No - not Finland --

MR. AMBRIDGE : Well they are the same.

MR. LUSSIER : No - I disagree with you.

MR. AMBRIDGE : Have you been in one of our camps Mr. Commissioner ?

MR. LUSSIER : No I haven't.

MR. AMBRIDGE : Well you come up some day and I will show you. You come up some day.

MR. LUSSIER : I do not mean to say that you don't treat your men well - I don't mean that at all -- but I am worrying about recruiting of labour in five or ten years from now -- that is what I am concerned with.

MR. AMBRIDGE : But Mr. Commissioner -- that is what I pointed out. I am worried about that too. I think we are going to have to do a lot of things and we have been doing them -- our pulpwood camp today is completely unrecognizable from what it was even ten years ago. Those





people have hot and cold running shower baths - they have clothes driers - they have separate bunks - they have sheets and pillowcases - we don't dare serve margarine in the camps because they won't eat it. I don't know why but they won't. It is all right in view of the butter surplus, however.

MR. LUSSIER : Yes - that is with the Abitibi people whom we know are far ahead of the other companies in Canada.

MR. AMBRIDGE : Yes.

MR. LUSSIER : Far ahead.

MR. AMBRIDGE : That's what I mean.

MR. LUSSIER : Yes, I know that -- now you mention another very interesting point - that is the Pollution of water from waste -- you mentioned some suggestions as to just how that problem should be met -- do you consider that is very important for the future ?

MR. AMBRIDGE : Oh I think it is one of the great problems in this Province - particularly in this Province.

MR. LUSSIER : Now do you think it might be possible to reclaim some of that waste that you are throwing into the water - so that the pollution would not be so great ?

MR. AMBRIDGE : Well we do that all the time you know -- the total amount of wood fibre that goes into



the river from a modern newsprint mill is very small - it amounts to about two per cent of the fibre that enters it. But the material that goes in which does the most harm is the chemical solution from either the sulphite or sulphate process, which are dumped into the water because there is nothing to do with them other than evaporate or something and we are trying to find out what we can do about it.

MR. LUSSIER : Now concerning the yield of your forests - the growth of your forests - do you recommend specifically that some steps should be taken in order to learn about the rate of growth of your forests - to learn more about it than you know now ?

MR. AMBRIDGE: Well everything can be known better than we know now but I might say that in Ontario we have a very thorough inventory of forests taken and we have for instance - or my Government has - a photograph of every square yard of forests that we own or lease - and that we know fairly well what we have got and what the rate of growth is -- fairly well. However, we are working every year with surveys and such things to improve and increase or widen our knowledge of just exactly what we are talking about. That is quite right but that goes on every year and as each year goes by everybody who has to do with the use of forests is in a position of better knowledge - more widely spread - and more accurate knowledge.

THE CHAIRMAN : Mr. Lussier's son is studying to follow in his father's foot-steps as a forestry





engineer and he spent the summer in Sweden and showed us some most interesting slides when we were in Quebec the other day - of the villages that they have developed in the forests where the people live in the surrounding area, and that serve them. I don't know if they would be suitable in Ontario.

MR. AMBRIDGE : Mind you, the sound of the name Sweden is like a red rag to a bull to me, we hear it so much it gives us a pain in the ear and their conditions are so widely different from ours - some day we are going write a book on the subject - why we can't do every damn thing the Swedes do.

THE CHAIRMAN : Now you have cast yourself in the role of the bull here - Mr. Ambridge. You did it - we didn't, and we don't intend waving any red rags at you, or any other colour.

MR. GUSHUE : You have mentioned Mr. Ambridge the question of the seven day week in the United States as against the six day week in this country. Is there a divergence in views in the industry about the seven day week - I am speaking now of labour as well as management ?

MR. AMBRIDGE : Well I don't know what it is the United States but they have built a mill there - I think that is a very good example of it - with the Bowater Corporation building a mill in Calhoun, Texas in which they have started about a year ago. They organized the whole



business on the basis that they are going to run a seven day week and they do run seven days a week. Since they run at odd times the men are put on a schedule which means that they work four days one week and then they have three days off and then five days the second week and so on -- but they have some schedule which takes care of the fact that they only work forty hours a week, but the whole enterprise works seven days - so there has to be some scheduling done. Once those men get the feel of the schedule they like it very much. In British Columbia - Mr. Grauer will tell you - they run seven days a week pretty much on the same sort of thing. In Canada there is I would say however, opposition to the seven day week, and this arises in Quebec from the Church, who objects to it, and in Ontario from the fact that in 1937, the mills were asked to run seven days a week and when the first of January 1938 came along all the publishers stopped ordering any paper and the mills went down to a three day week and they have never forgotten it since. But the main reason why you can't operate a seven day week in Canada is that there is the Lord's Day Alliance Act which prevents it.

THE CHAIRMAN : Did I hear you say they do operate in British Columbia very largely in that way , Mr. Ambridge ?

MR. AMBRIDGE : I understand so - is that not so Mr. Grauer ?

MR. GRAUER : That is my understanding.





MR. AMBRIDGE : I don't know what they do about the Lord's Day Alliance Act -- maybe it hasn't got past the Rockies yet.

MR. GRAUER : What is your opinion Mr. Ambridge, on possible competition from the Southern United States in the pulp and paper field over the next twenty five years ?

MR. AMBRIDGE : Oh - I think there is going to be competition but I think that the demand for pulp and paper products - if any of these studies or the results of these studies are valid - will absorb not only what the South can produce but what everyone else can produce as well.

MR. GRAUER : There is room for all - is that it ?

MR. AMBRIDGE : And especially is that so in the demand from the outside world - outside of this Continent - because of the effect due to their ability to pay in currencies we can accept.

MR. GRAUER : In regard to your reference to energy -- assuming that prices were competitive - what sort of role would natural gas play in an average pulp and paper set-up ?

MR. AMBRIDGE : Well -- we would use it to produce process steam for drying our paper - that would be the first thing - and then there might be cases where you could use natural gas under high pressure boilers to



develop some by-product power - and the boilers you know, are built at a hundred pounds and exhaust at some twenty five pounds -- the use of process steam would be the major role.

MR. GRAUER: It would be quite an important one then ?

MR. AMBRIDGE : Oh - very.

MR. GRAUER: With reference to the fires, as you know, there has been a trend in British Columbia towards patch cutting - it would not be from the point of view of fires exactly - but from the re-seeding development as I understand it -- in Ontario is there much patch cutting or is it chiefly clear cutting here ?

MR. AMBRIDGE : Well it depends on the amount you see, the thing that B. C. can never get into their heads is that we are not dealing in acres, but square miles and whereas you grow as much on an acre as we have to a square mile - what happens in Ontario is largely regional. For instance, there would be no purpose at all in patch cutting in a spruce swamp because a spruce swamp is essentially a clear cutting proposition - forestrywise or any other wise you see. On the other hand, there is patch cutting in some other areas of certain trees - largely jackpine which is a good patch-cutting proposition because the seeds blow and so on. My company operates a laboratory up North West of the Head of the Lakes where we have forty thousand acres which is set aside -- it is our own land --





set aside for the purpose of studying large scale methods of cutting, methods of re-production and methods of re-generation - and which in the course of the next few years will yield to us a good deal of information about how to bring about the regeneration of trees in all areas, properly.

MR. GRAUER : Patch-cutting does resist the spread of forest fires more than clear cutting does it not ?

MR. AMBRIDGE : Yes that is true but there again we are dealing with immense areas here - all more or less flat in Ontario - as compared with Mountains which are quite a different story.

MR. GRAUER : Yes - are roads a problem in the logging industry here in Ontario ?

MR. AMBRIDGE : Yes they are - they are a problem because we haven't got enough of them.

MR. GRAUER : Are they financed directly by the Government ?

MR. AMBRIDGE : Well most of them are - of course, every time a mine wants a road all they have to do is ask for it, but every time we want a road, that is something else again - we build our own and the mines get them. Not all - but we build our own roads largely.

MR. GRAUER : A better road system would of course help against forest fires ?

MR. AMBRIDGE : Oh access roads are one of our great problems in forest management schemes --



because you can't manage forests without access roads -- if you can't get to a forest that has matured how can you cut it, - and you have got to cut it if it has matured - if your management is right.

THE CHAIRMAN : What have the mines got that you haven't got - apart from roads ?

MR. AMBRIDGE : I don't know -- glamour or something I suppose.

THE CHAIRMAN : At the beginning of your remarks you referred to the brief which Mr. Fowler submitted to us on behalf of the Pulp and Paper Association and I would just like to say how grateful we are to the Association and to Mr. Fowler for the extremely valuable contribution they made to the work of this Commission. I am saying this deliberately because in some articles some odd remarks of Mr. Fowler were picked up and criticized and I wouldn't like to be interpreted to mean that we don't think he made a most valuable contribution to our work.

MR. AMBRIDGE : Well thank you very much for those remarks and I will pass them on to Mr. Fowler. I think it was an extremely able document --

THE CHAIRMAN : So do I.

MR. AMBRIDGE : Extremely able.

THE CHAIRMAN : Well we are very grateful to you Mr. Ambridge for your very helpful submission.

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Recess  
After Recess





THE CHAIRMAN: Now Gentlemen, if we can come to Order, I would like to say how very pleased indeed we are to have Professor Galbraith with us today. A good many people here will know him by reputation and from his writings, and if you haven't read his books and if you don't read The Reporter, all I can say is, you should.

When this Commission began its operations, we thought that we should restrict representations before the Commission to representations of organizations but that if individuals wished to submit their ideas to us, we would welcome them, but we would ask them to send them in in writing. We made a very important exception however, in that we would welcome anybody from any University who wished to come before us, and a number of people from University circles have appeared before the Commission in other cities. It is a particular pleasure to have Professor Galbraith of Harvard University, who is an ex-Canadian, appear before us today and we are most grateful to you, Professor, for taking the trouble not only to come here, but to prepare this Brief which you are about to present to us.

PROFESSOR GALBRAITH: Thank you very much Mr.Chairman. I don't need to tell you it was a very great pleasure to have your invitation and it is a very great pleasure to be here today. I comment here in my opening paragraph on one of the least celebrated



things about our Frontier, and that is the traffic in free advice, and I may say it is a signal pleasure for me to contribute to this commerce, which must easily be greater than on any Frontier in the world.

The comments that I have to make this morning - from reading the proceedings and noting the deliberations of the Commission - I think must be regarded in some degree as a breathing spell, for several reasons. First, and I hope this will not cause any chromatic disorders on the part of the Commission, I am not going to ask for any money, for anything. However, I hasten to assure you that I am going to suggest several ways of spending money, so that I am not completely eccentric in this respect, and I am going to touch only indirectly on the immediate and very practical questions of policy with which you are principally concerned. Instead, I am going to dwell on the underlying questions of economic growth and the causes of economic growth. Why do some countries advance while others fail to do so? On which of the many explanations of economic growth can we rely? These are very interesting questions and one would not need to apologise for raising them for their own sake, and even though they are removed from the important and practical concerns of this Commission, I would also advance the





suggestion that they may not be entirely unuseful.

In facing such practical questions as those of immigration policy, capital imports, the tariff, development of resources, taxation and farm policy, you are concerned with their bearing on economic progress. Some position on the causes of growth will be implicit in your decisions. Before you take a position in which some explanation of economic growth will be implicit, -- explanation or interpretation or theory that economic growth will be a part of a sub-structure, on which your recommendations are based, I think there is always some virtue in seeing what is the sub-structure and what are these foundations and these implicit assumptions. We find here, I think as so very often happens, that philosophical speculation wears a modest garb which hides some of the values which, on closer examination, become evident.

When we begin to search for the causes of the economic growth of a country, or a community -- and by economic growth I mean increase in total real output, total economic growth of an economy -- our embarrassment is not of poverty but of riches. We are swamped by explanations. Not only are the explanations numerous but they are plausible, and being plausible, great and even exclusive importance is regularly assigned to different ones. Now a great many things can cause



or promote economic growth, but there cannot be a great many things or causes which, individually, are of overwhelming or exclusive importance. Now let us pass over some of the commonly advanced explanations of economic advance. Things which we regularly take for granted.

The first thing that comes to mind is the matter of population. Population is increasing vigorously so, we commonly agree, will economic output. A stationary or declining population means the risk of economic stagnation - or so we have often been told. Canada, with her great unpeopled areas, has always as I suspect, been especially alert to the importance of an increasing population, in relation to growth. This has been explicit in her immigration policy. It has perhaps been a factor in family allowances and aids to settlement and in other policies.

We regularly ascribe economic growth or the rate of economic growth to the rate of capital formation. If conditions are such as to encourage a high level of domestic savings and capital imports, then growth will be rapid. Otherwise it will not be. The rate of increase in output will be - in this interpretation - more or less proportionate to the volume of investment. Therefore, things that effect





volume of capital investment determine the rate of growth.

We regularly ascribe the rate of growth to the endowment of natural resources. If the land is fertile and the subsoil is richly endowed with minerals, coal or oil, then economic advance is more or less inevitable. In the absence of resources, development cannot be expected. I think with a moment's reflection we could suggest a number of occasions when almost all of us have made that sort of explanation - that this was bound to go ahead - that is very rich in resources - or the country is poor in resources. Phrases of that sort, identify the problem of growth with the natural endowments, as with population, I suspect; and the orientation with respect to resources has been particularly true in Canada, I would think.

Economic growth is also regularly attributed to the question of social capital. By that I mean the investment wasn't immediately related to a profit return but has the effect of facilitating the investment of a more productive sort. Surely, in the development of Canada, transportation and communications were vital. Surely they were the cause of the growth. If one goes back to the history books one will find it associated with the thing that caused the growth of



Western Canada - the railroads across Canada. Until they were there nothing could happen. Once they were there why, the great expansion was inevitable. When we consider growth today our minds turn to investments in roads, education, marketing facilities, geological knowledge and so forth.

Economic growth we regularly identify with political institutions and with economic policies. The political philosophers of the last century, Bagehot and Bentham, for example, ascribed first importance to honest, stable and economical government. These were the things which they believed to be of first importance for economic advance. In more recent times we have heard essentially the same talk in very great quantity, of a "favourable climate" for enterprise. Sometimes it runs in times of favourable climate for enterprise we think that growth is assured. Or if we have the wrong people at Ottawa, Washington or London that private enterprise will be ruined and progress will come to an end. Less frequently we hear that progress requires intelligent and effective planning of economic activity. There is an ancient conviction that the tariff has something to do with economic growth - that nothing has contributed so usefully to economic development. Then there is the equal and somewhat incompatible conviction





that nothing has so greatly contributed to economic growth as free trade.

In the last fifty years the most grievous interruptions to economic advance have been during depressions. Nothing so curtailed the economic advance of our two countries as the Great Depression in the Thirties. The last fifteen years of full employment have brought the greatest advance in our joint history. Clearly the avoidance of depression and the maintenance of full employment have something to do with economic progress. I have one more remark here purely for the record, a subject I have written upon myself, that climate has something to do with economic advancement. I think a fact of singular interest and importance is this, if one goes around the Globe, in a great part of the Equator, the Tropic of Cancer and the Tropic of Capricorn, one finds no great industrial community. It is producing for its own market - some industrial communities producing for markets outside of the Tropics, but there is as yet no great industrial complex in the Tropics. I have been surprised in citing this, at the hostility to any sort of explanation which seems to be as simple as this. "If you are going to have economic advance you have got to have cold weather." I suppose that had a certain amount to do with the people Ellsworth Huntingdon talked about.



I think it is also plain that there are some parts of the great surface of climatic regions which are more compatible with economic growth than others. Anyway, we should not ignore that.

DR. GRAUER: Coming from British Columbia, I hope you don't see colder weather with more economic growth ?

PROFESSOR GALBRAITH: I don't think this is a curve which extends without limits sir. I would like to see what is possible in taking this great mass of explanations. As I say, all of them are plausible, or at least none of them is quite foolish; all of these causes of growth are cited by sensible people every day. I'd like to take them and see what we can make of them; not all of them can be important to the exclusion of the others, but yet it is plain that a moment's reflection will indicate that we really assign something like exclusive importance to some or all of these causes. The problem is, I think, not as intractable as appears at first glance. We can make sense of it, although not without some sacrifice of cherished attitudes. We must distinguish the conditions that are essential for growth, which are relatively few, from those that merely facilitate or contribute to it and which are much more numerous. And both of the above categories must in turn be kept separate from forces





which may pattern or shape the form of a nation's development without greatly influencing its rate, one way or the other. Finally, there are the causes of growth which retain their importance but which have greatly changed their form. In making sense out of this situation we must also bear in mind that beyond a certain stage in a nation's development, economic growth is normal and natural and by no means the fragile and perilous thing that much popular and professional opinion supposes it to be. Growth can be checked, but only by an aggressive determination to do the wrong thing. I suggest here that our politicians on this Continent lack the zeal for error that would be required to stop the growth of a country, as they are lacking in diligence and ideas.

If we assume as fortunately we may, government that is in the main both honest and intelligently responsible to the well-being of the people, there is only one other over-riding requirement for economic advance. In other words I come here to begin one of the explanations which in my opinion has everything to do with labour levels -- or the level of employment in the economy. That is a level of demand sufficient to maintain full employment, but not so great as to cause persistent and demoralizing inflation. Inadequate demand, such as we experienced during the 'thirties,



is the effective enemy of growth. Of this there is no serious doubt. There is no need to add to industrial or agricultural plant if these cannot be used remuneratively at their present capacity. Only as demand keeps pressing on the existing capacity will there be a reliable incentive to enlarge it and thereby to increase total product.

Inflation is less damaging to growth than persistent under-employment of resources. On the other hand, there is little question that it does serious and cumulative damage to incentives of both businessmen and workers and to the volume and character of capital formation.

There is a doctrine that holds that an occasional interruption in expansion -- and occasional mild recession or depression -- is consistent with and even necessary for a healthy rate of growth. Implicit also in the phrase "healthy re-adjustment", Nineteen fifty three to Nineteen fiftyfour we were told, especially in the United States, that the economy was undergoing a healthy readjustment in the recession at that time. On that point one highly-placed economist whom I won't name, said the economy was having a well-earned rest, and after it had finished with its siesta that it would come on with added vigour. These, in my judgement, are words without content. I know of no





substantial justification for the thesis that growth proceeds soundly only if subject to at least interruption. This it seems to me is the first thing in evaluating the theory of growth or the problem of growth; we must use what we have. We must have a level of aggregate demand in the economy which will keep production close to the current capacity and thus maintain the incentive to add to capacity.

Now we come to the role of what we may call the factor base -- population and the labour force, capital and natural resources -- in economic growth is decidedly secondary to the current level of factor employment. Their strategic importance has also been declining, although they still enjoy much of their original popular esteem.

Until comparatively recent times, - specifically until the decade of the 'thirties -- the level of total demand in an economic system was treated as an independent variable. It was not considered responsive to influence or subject to control. Accordingly, no serious attempt was made to control it. In this context, a change in the factor base could be of first-rate importance for expansion. It stimulated purchasing power or demand, and so shoved the economy nearer to full employment, and thus helped satisfy the basic pre-condition for growth which I have just



mentioned. An increase in population accomplished this by increasing the rate of family formation, rate of spending on housing and household equipment, for farm settlement, and in a dozen other ways. An inflow of capital meant a direct increase in investment demand for labour and for other resources. The discovery or opening up of natural resources meant a sudden and sometimes dramatic increase in the marginal return to capital. This brought an inflow and sometimes an inrush of capital and people, an increase in spending, and once again the move towards full employment of the existing -- or brought pressure on economic capacity with the consequent pressure for expansion.

The last twenty years have seen these effects become partly absolute. We have come to realize that the level of demand, and therewith the level of factor employment, can be made subject to a measure of control. This has had - as of course we all agree - revolutionary consequences of many sorts, but for the process of economic growth it means that we are no longer dependent on planned or on adventitious increases in population, or in capital supply or in natural resources for the stimulation of expenditure and for the pressure on employment which leads to growth. These, and I want to insist on the point, may still have a stimulating effect; they still do. They are no longer, however, our only reliance for stimulating growth. My own





view is that this change has not yet been fully recognized and I suspect that for many years, we will continue to emphasize the chance for growth is identified with an increase in immigration, or with the whims of investors, or with the prospects for another great and wonderful discovery in the wilderness. I would argue however, that the day of such drama, for Canada, as for other advanced countries, is past.

We need no longer rely on increases in population or increases in other parts of the factor base to stimulate expansion -which in turn is an active form of growth - but an increase is still necessary to facilitate it. There is, however, a considerable range of substitution between factors, and one of the oldest lessons in economics shows that although it is a mistake to regard anyone as unimportant, it is also a mistake to regard anyone as critical. Since the end of World War II an exceptionally high rate of advance has been maintained by Israel. This has been based on a large increase in population and large increases in capital resources. It owes nothing to natural resources of which the country is notably devoid. The remarkable expansion of output in Western Germany since the war was made possible by the enormous increase in population which resulted from the forced migrations from Eastern Europe. In Western



Canada, by contrast, natural resource development and the accompanying flow of capital are obviously more important than any change in population.

The substitutability of factors is not complete and, in one way or another, there must be capital formation for growth. But the range of substitution is sufficiently great to explain why each of the classic factors -- labour, capital and natural agents -- have separately enjoyed so much esteem as catalysts of growth. In the past a change in each has at one time or another been followed by a rapid advance. People have seen these effects. Whichever one they have seen they have assumed to be all important. Economic growth has been explained by much the same process that the blind biologists employed in describing the famous elephant.

We have, in the well-known substitutability of factors, the explanation of why there could be so many causes of growth all so plausible. In the past, at least, there were different causes at different times.

I come now to the effect of specific government policies on growth. Given full employment and an expanding factor base, the effect of further economic policies on the rate of growth will be small - notice I say rate of growth here. Or, to put the matter another way, given the preconditions





just outlined, growth will accommodate itself to a considerable variety of public policies. This conclusion runs sharply counter to common attitudes - attitudes which owe much to our Anglo-Saxon habit of political exaggeration. This habit requires us to say, and often to believe, that growth can only be assured by soundly conservative or solidly liberal or fundamentally radical policies. It is astonishing how many otherwise quite sensible people are susceptible to such nonsense. Within the relatively narrow spectrum of modern politics -- a spectrum in which the enlightened and forward-looking conservative is only barely distinguishable from the responsible and sane and sensible socialist -- The British who have a genius in these matters have now combined them in one term "Butskillism" -- within this narrow spectrum growth will probably proceed about equally well if its basic requirements are satisfied. The great expansion of output in Western Germany since the war has been widely attributed to the committed laissez-faire policies of the Bonn government and especially of Economics Minister Ludwig Erhardt. But a recent study of Norway shows that expansion there has, if anything, been slightly more rapid. Norway has had a Social Democratic government. It is firmly committed to planning. Prices and wages have been controlled as necessary; rationing was retained



as long as it was needed; savings were carefully stimulated and their use carefully budgeted.

In fact however similar were the requirements between the economic policy-- I am interpolating here-- in Norway and Western Germany, or probably how great their differences -- both had responsible governments that were committed honestly to the welfare of the people and both in the main were regulated by the Constitution. Mr. Erhardt talked a much better laissez-faire policy than he practiced and the Norweigan socialists talked far more socialism than they practiced. This incidentally is one of the very interesting political manifestations of our time, for political parties to talk highly divergent economic policies but to find themselves somewhat nearer the centre of the political spectrum -- I am sure you are aware of these processes. That is to be detected in the United States in recent years.

In both Norway and Germany there was full employment. In both the factor base was expanded to facilitate growth. These were the essentials; given these, growth followed. The ideological differences - much as they are beloved for the purposes of controversy, were of minor importance for the rate of expansion.





The same, I would suggest, applies to the ancient question of the protective tariff. In accordance with the accepted habits of exaggeration protectionists have regularly averred that a sensible tariff is essential for economic growth. New activity must be nurtured or it will be destroyed by competition. Free-traders have been equally insistent on the opposite. There is no lasting formula for sound growth except rigorous competition leading to efficient international specialization. Both can hardly be right. The chances are that both are wrong -- or, to be more precise, irrelevant.

For an economically advanced country like Canada - let me stress the qualification for my argument does not apply to a country that is just beginning to industrialize -- it seems unlikely that any politically feasible tariff policy will have a discernible effect on the rate of economic growth. The tariff will influence somewhat the nature of this growth; the protected and stimulated industries will doubtless expand more rapidly than otherwise. This of course I don't deny - it may be important. The tariff will also affect the distribution of income by guiding more of it to the favoured industries, and this, probably, is the real nub of the dispute. The



effect on the over-all rate of growth will be too small to identify. This, incidentally, is one reason why the tariff after all these years is still so hotly debated. As so often happens, the warmth of the argument compensates for the uncertainty of the evidence.

I come now to the relation of social capital to economic growth. I have in mind the outlays, not motivated by immediate private profit, which help a country to realize the full potentialities of its factor base. Such investment is still an important factor in growth. The character of the needed investment has, however, drastically changed. There will be disappointment, waste, and possibly some damage unless this is recognized.

In a young country the most urgent form of social investment is in the things which yield knowledge of its resources, in the facilities which make the country habitable, and in communications. By identifying and giving access to resources and bringing capital and people in their wake, these outlays can yield enormous dividends in growth.

Because of the large dividends that once accrued to this kind of social investment -- in resources development, geological investigation, communications and transportation - it continues to enjoy great prestige. In fact dramatic returns





from such outlays belong to a comparatively early stage in the nation's development. Once a country is opened up it is opened up - this can be done but once. The first step may bring a bonanza of natural wealth. It is interesting to recall the opening up, sixty years ago, of the Canadian Prairies was felt deeply as far away as Russia. Among Ukrainian peasants Manitoba was a bad word, something like Communism has become, and was used to frighten children. My colleague has even gone so far as to attribute to the opening up of the Canadian Prairies and the impact on Russia, - by the way it is Dr. Wolfe - the Russian Revolution, so you see what a weight lies on the shoulders of Sir John A. MacDonald. All of our troubles are traced back to him.

THE CHAIRMAN - That is where he used to operate.

PROFESSOR GALBRAITH - Thereafter the development of the kind of social capital of which I am here speaking brings only an orderly and un-dramatic improvement in what already exists. Seventy five years ago the St. Lawrence Seaway would have brought a breath-taking advance to the area it served. Fifty years ago the effect might still have been marked. Now, viewed as a transpor-



tation facility, it supplements and enlarges an already highly developed transportation system. That it is useful there can be no question. I am not for one moment suggesting that the waterway of which I have long been an open supporter is not going to be a useful and important investment, but no one should expect in this stage of the development of our two countries that it will be revolutionary. On the growth curve of Canada as a whole, the effect will not be noticeable. Some of the vast expectations induced by the Seaway are derived from the days when, as with the Erie Canal, revolution could follow in the wake of such outlays and that no longer happens. It is being assumed, in effect, that Toronto and Chicago still reach the eastern seaboard by wagon road or birch bark canoe. We have to bear in mind that it is no longer as important to reach the eastern seaboard as it once, was.----

THE CHAIRMAN - I don't think that Doctor Gushue would agree with that.

---- While time and economic growth make the returns to the foregoing types of social capital less dramatic, there are other types of outlay which gain in urgency. The leading case would seem to be the supply of technically and scientifically trained men and women and the means for replenishing





- this supply. As productive activity expands, becomes increasingly technical and more highly organized, the demand for such talent is certain to increase. A supply of such talent, moreover, has a pronounced effect in catalysing change and growth. Beyond a certain point in its development a country's policy on its trained manpower is almost certainly central to its economic growth. A sufficient investment in such training is vital.

Let me now relate these matters a little more directly to questions of practical action. This purely by way of summarising what I have said before.

For assured economic growth, the first requirement, obviously, is a strong and effective policy to deal with the danger of depression. We have long been aware of the importance of such a policy for our economic well-being and as an antidote to suffering and social tension. But it is also central for economic advance.

This is not the place for a lengthy discussion of full-employment policy. For what it may be worth, I believe that such a policy can be successful and that success is nearly within our grasp. This is not a policy that Canada can pursue in isolation - a severe depression is in singular degree



a supra-national phenomenon and so are the remedies -- but there is also a considerable measure of agreement on the need for action and the action to be taken. In these matters Canada shares with the United States and the United Kingdom a common tradition on economic thought. The agreement on policy, accordingly, is soundly based on commonly-held ideas. It would be hard to imagine a serious world depression while there was full employment in these three countries. And it is hard to imagine world conditions so severe as to imperil a determined full-employment policy by these three governments. I do not imply, necessarily, that other governments are less concerned to have full employment or less knowledgeable in their economics.

Since the 'thirties the United States and Canada, especially through unemployment insurance and the farm programs, have achieved an element of automatic stabilization. In both countries, it is now well recognized, a decline in general purchasing power or demand would bring a prompt and partially compensating increase in these outlays. There has also been an increase in the equality of general income distribution which should add to the stability of consumer spending.





To refrain from spending money is a luxury enjoyed mostly by the well-to-do. Especially in the United States, grave structural weaknesses in the banking and corporate structures have been corrected.

Most important, it is now possible to use tax policy far more effectively than twenty years ago. In the pioneering days of the New Deal in the United States, government stimulation of purchasing power meant mostly an increase in public spending. Public spending is a slow and awkward instrument of fiscal policy, especially where puritan attitudes require that there be something like a dollar's worth of return for a dollar spent.

Tax policy could have been used more effectively than it was during the 'thirties -- understanding in these matters was still very imperfect -- but to work well tax policy requires a substantial revenue derived from a widely-based personal income tax. In the 'thirties there wasn't any large central government tax bill to cut; the income tax was confined to the well-to-do and the wealthy. It was politically difficult to cut taxes on those who, in a time of general misery, were suffering the least, and the effect on spending would in any case have been small. Now we are admirably endowed with taxes. The income tax is



a highly democratic affliction which can be reduced, especially in the lower brackets, to distinctly proletarian applause. It has become a powerful weapon for economic stability. I was impressed two or three years ago, at a C.I.O. Convention in New York, for some purpose or other, in listening to the discussion, and the boys became excited when the question of income tax came up - that is when they really got excited. That shows how far we have come in this respect as compared to the 'thirties. In the 'thirties it is interesting to recall and late in the Autumn of the year Nineteen twenty nine, when President Hoover and Secretary Miller sought economy in the United States, they put into effect a reduction in the income tax - income tax was cut by about one third; on a man with an income of five thousand dollars and with two children it was cut as I recall, about one half, and on ten thousand it was cut by a third, on fifteen thousand it was cut about one third, but the defect in this policy as an instrument of - or as a fiscal weapon - was that it brought the annual tax on a man with five thousand dollars down from twelve dollars to eight dollars and so on - or twelve dollars to six dollars - and maybe the tax on an income of ten thousand was cut down from forty dollars to twenty





five dollars or something of that sort. These measures were calculated to have widespread responses in the volume of purchasing power.

I do not wish to imply that everything is solved on this front. It is only prudent to bear in mind that we are talking of policies which have not yet been put to a severe test. There will continue to be arguments over the respective roles of monetary and of fiscal policy. It is already clear in the United States that agreement in principle on the need for a positive stabilization policy can leave considerable disagreement on the critical questions of when and how vigorously to act. The whole problem of stabilization would be enormously complicated were we to yield again to speculative euphoria with its need for a painful return to sanity. There has been evidence of this danger in the past year.

Still, in the critical matter of maintaining full employment we have made great strides which happily transcend national boundaries and I think we can and "should be aware of our blessings.

Efforts to expand the factor base as I noted -- which were once central for the



strategy of growth, may now be viewed dispassionately. Those who say that people are Canada's greatest economic need are speaking the language of another day. A growing labour force will facilitate economic growth. But other than economic considerations may be equally or more important in population policy and certainly they should be given full weight. The social and cultural gains from immigration may be as important or more important than the economic advantages. The economic case for immigration is not so strong as to override legitimate concern for social harmony and orderly absorption.

Likewise capital remains necessary for growth. But given the preconditions for growth, investment funds will be forthcoming. Beyond the general assurance of fair treatment -- which so far as Canada is concerned is not in serious question -- and the ordinary compensations of the market, there need be no special privileges for investors, either foreign or domestic. There is a notion that Canada stands particularly in need of capital and hence should go to particular extremes to attract it. This is nonsense. It is a form of nonsense, to be sure, which has a peculiarly appealing ring to the man with money to invest.





Finally, while resource development will continue to be useful and desirable, its effects will rarely be magical. Natural resources now and henceforth will play a largely passive role. Growth will be the result mostly of more extensive or more intensive or technologically more proficient utilization of resources which are already known to exist and to which there is already access. It would be a misfortune were mention of economic growth always to conjure up visions of some new adventure in the wilderness or some new survey of the Northwest Territories. At this comparatively advanced stage in her development Canada can expect that far more of her wealth will be developed by her engineers at their drawing boards and her scientists in their laboratories than by diamond drills on the pre-Cambrian Shield. We should keep in mind, in this connection, that economic growth is consistent with the survival of great areas of unoccupied land. In both the United States and in Canada far more error has resulted from the effort to use and settle inhospitable terrain than from leaving it unused.

Far more urgent than resource development, as just implied, is the problem of human development. It is vital that this keep abreast of the technical and scientific requirements of



growth and that it stimulate growth along this dimension. Here -- I speak for the United States and, I think also for Canada -- is our most serious current failure. We have left the training of scientists, engineers, and highly skilled technicians largely to chance. We have suffered an enormous wastage of talent by making higher education dependent not on ability but ability to pay. The present scramble for highly qualified people is a measure of our failure. We must plan to spend generously to correct our mistakes in this area.

Within what I call the politically feasible limits, the question of the tariff, the distribution of the tax burden, farm policy, labour policy, and assistance to the less advantaged provinces can be made on their immediate merits. These may be important, but over-all growth will proceed in any case. We should abandon the juvenile habits of exaggeration which cause us to say that these questions are vital for the whole economic future. If they were vital, since these matters have been decided in different ways by different governments at different times, we would have been ruined long ago.

In concluding let me mention two





matters which are too frequently overlooked in discussions such as this. Let us be aware that economic growth will not solve all economic problems. And let us remind ourselves that expanding economic output is not an end in itself. Let us have in mind the further ends which it should serve.

Economic growth leaves us with a hard core of poverty which is unrelieved by the general advance. Part of this is in the cities; it consists of the individuals and families who are physically, morally, or mentally unable to adjust themselves to the demands and the disciplines of highly-organized economic society. These people should be on our conscience. More striking is the problem of rural poverty. In both Canada and the United States progress leaves great islands of such poverty in its wake. This is not the poverty of individuals - it is the poverty of whole areas, and one cannot explain it away of course, on the grounds of individual inadequacy or misfortune.

Part of the problem seems to be that land settlement patterns, once established, change only slowly and painfully. Meanwhile the general advance may render these patterns obsolete - farms are too small, ill-adapted to modern machinery and techniques, and there are too many people. Instead



of a recombination of units for a suitably extensive and efficient culture, we get stagnation and poverty which is unrelieved by gradual depopulation. This problem is one to which I have given a great deal of thought. We have had occasion at Harvard to look into one very interesting thing in Nova Scotia. There is in our economic society or process, a very good way for extensifying an agricultural pattern - one which has been established in an intensive form - an abandoned farm could be combined with three adjacent ones, to make a good extensive unit for grazing or on occasion for forestry, but in the process of obtaining the other three, by the time they are all available the first has deteriorated to some other use, or to no use at all. This is a problem far more serious, I think, than we have yet discovered.

The problem of how to get a reorganization of the economic life of these areas, the Southern Appalachians, the cut-over area of the Lake States, the hill towns of New England, and in Canada in parts of the Maritimes and along the lower St. Lawrence -- is not only unsolved by largely untouched. While this is so, self-congratulation on our general economic advance should not be too effusive.

What we call economic growth is, to





repeat, only the production of more and more goods or their equivalent. Not many would argue that the pursuit of happiness consists only of an unending struggle to acquire more consumer's durables, although admittedly, this view is implicit in much contemporary commercial behaviour.

Were we to take stock of the use to which we are putting our riches, and here I speak of both countries - certainly in the United States - I suspect we would be appalled. In the past opulence has ordinarily meant a literary and artistic renaissance. Released from the immediate pressure of want, people have turned to the cultivation of literature, music, sciences, the arts. That may be the present trend; I am more impressed by their tendency to turn to a longer, lower and more hideously coloured automobile.

I mentioned the poor farmers.

That their life is meagre, colourless, and wretched there is no doubt. But we should spare a thought for the well-to-do farm families, common in the United States and, I think, also in Canada, where life is almost equally grim because it has no motive beyond the quest for a few more dollars, a few more acres, or possibly a second car.

No doubt our towns and villages have



come some distance since Main Street, or my own youth. There are still quite a few, I suspect, which offer only the simple pleasures of the local pool hall, and where the greatest community hero is the most indiscriminate oaf.

One need not dwell on the problem of our cities, although I may say it is evident to me that this Commission is being forced to. These in neither country do we defend. Economic progress does not make them less ugly. On the contrary, it gives dirt a vertical dimension and covers the adjacent scenery with billboards designed to sell the goods which are presumed to comprise "progress". It is clear that economic advance does nothing to decrease juvenile delinquency and aberration. Working hours are shorter but only so more and more time can be spent in the losing struggle to get to work. There is a steady increase in the incidence of mental disorders which may not be surprising.

Economic growth is important. However, it is rapidly becoming less important than the question of how we use it.

THE CHAIRMAN: Thank you Professor Galbraith. We will mark your submission EXHIBIT 128 FOR THE RECORD.





THE CHAIRMAN: Perhaps, if you are willing, we might ask you a question or two and I might start the ball rolling -- I am glad that in your remarks you have seen fit to stress the importance of - to quote you - in the future development of this country to supply technically and scientifically trained men and women, and the means of replenishing this supply. I think all the members of this Commission would agree that this should be given highest priority but in Canada, and in this respect perhaps Doctor Stewart might think it is not too unlike Scotland, - how should we go about persuading our most highly trained engineers and scientists and, if I may say so, our most thoughtful and articulate economists, to stay in this country?

Although the rate of immigration to the United States of our best trained University graduates may have slowed down as more opportunities have opened up in Canada -- and perhaps also as a result until quite recently of a certain climate of public opinion in the United States -- the attractions and the much greater opportunities and much larger audiences in the United States, will always exert a very strong pull. Have you any suggestions as to what we might do about that in this country?



PROFESSOR GALBRAITH: I think it is clearly a very puzzling problem and one of the not inconsiderable problems which grow out of Canada's juxtaposition to the United States. One thing we can be clear upon - the problem will not be improved by anything which slows down the rate of training. It may well mean that Canada's rate of training must be higher than that of perhaps any other country in the world. Just as it has been recognized in the past, with Canada's somewhat eccentric geography, it requires peculiarly large expenditures on transportation, and so its eccentric relation to the United States may mean that the educational problem may require peculiarly large outlays of this sort.

It has always been my suspicion that wage differentials have had something to do with this. I was born in a part of Ontario where there was a tendency to move back and forth across the Border in response to a wage differential of more than five dollars a month. At any rate, allegiances became seriously tested at ten dollars a month. I suspect that this will be eased as the demand of which I am speaking tends to bring equalizations between the two countries.

THE CHAIRMAN: It has been thought





that if we had more Royal Commissions of this type it would help. We are very pleased that our Research Staff includes a few Canadians whom we have lured back from American Universities and hope very much to find some way of keeping them here.

I think - to change the subject - we should be very grateful to you for the way in which you have dealt with the more dearly loved myths regarding the influences on economic growth. You include in these the strongly-held views about tariffs on the one hand and free trade on the other. I personally would be inclined to agree that, looked at from the United States perspective, these issues may be relatively unimportant. For example, it is true that since the war there have been substantial reductions in United States tariff rates, but it is equally true that there has been no appreciable increase in the volume of imports - excluding raw materials and a few other commodities such as newsprint. I think, however, that it would be difficult to convince Canadians that U.S. Tariff policy does not have and will not continue to have a considerable affect on the nature and perhaps the rate of growth of development in this country. Under the present tariff structure and customs administration, Canada can and does export to the United States



very considerable quantities of forest products, largely in the form of newsprint and metals and minerals, but we cannot export finished or manufactured products on any scale and if agricultural policies including quotas and give-away programmes and so on, are included in the discussion, surely American policies must have a direct effect upon development in Western Canada. Now if we think of the advantages of free trade or protective tariffs from the Canadian perspective, we are told by those engaged in primary industries that free trade is the obvious policy to be pursued by Canada. I expect this view is shared by a great many economists in this country. On the other hand, we are reminded from time to time that the primary industries have a working force which is a decreasing percentage of the total working force and that if we really believe in a policy of full employment - and I don't believe there is much doubt about that in this country now --- we must see that the manufacturing and service sections of the economy are enabled to prosper. How would you suggest that Canadians should set about finding a proper compromise between these two conflicting viewpoints on the commercial policy for this country?





PROFESSOR GALBRAITH: That is not calculated to be an easy question, and I wonder if I am right in using the singular - there are several questions. The point that I made in the paper - where I confess I was looking at the tariffs in terms of Canadian tariff policy but this may be an important issue -- in apportioning or shaping the growth, and much less in terms of overall rate of growth. One of the great misfortunes is that when this discovery was made years and years ago it passed out of the area of economy and into the realm of cannon law, and the positions that have been taken by able economists and by others are in fact rather more on the basis of theology rather than on the basis of economics.

It seems to me perfectly evident that the tariff does have something to do with the shape of economic growth. Let me put it this way -- it is of singular historical interest to note the enthusiasm in the United Kingdom in the Nineteenth Century for free trade, or free trade development, after England had become the world's most highly industrialized nation. It is not without interest to note that the enthusiasm in the United States for multilateralism, if for free trade, occurred after the United States had become



the most highly industrialized nation, and the Gospel of England in the Nineteenth Century and the United States in the Twentieth Century has been perhaps, preached to other countries somewhat indiscriminately. It is not my intention to suggest that Canada would have had an automobile industry had it not been for the tariff.

THE CHAIRMAN: But is it a good thing for us to have an automobile industry?

PROFESSOR GALBRAITH: I was going on to say that the countries which have in some way achieved the highest level of economic and social integration are those which have developed some degree of completeness in their industrial programmes. It is a good thing for Canada to have an automobile industry - I have no doubt whatever. Certainly it is. And the rewards of this may not be entirely in the automobile industry - it has a metalurgy tradition and an engineering tradition and the whole development of techniques and attitudes which are lost on the product of orthodox free trade. So that while I don't know what this really comes to, there are also I think, slogans on the other side which need to be examined. I am not terribly impressed with the hewers of wood thesis. There is some notion I gather, that it is unhealthy to grow trees. Well,





I imagine there may be people who like that occupation better than working on the assembly line.

If one looks abroad -- my distinguished predecessor here this morning warned about anybody referring to Sweden - but let me refer to Sweden. One looks at a country in Europe which has achieved, without much question, the best integrated economy for that sized country - which has based its economy on a highly developed forestry industry. So that in saying that the fostering of a manufacturing complex is good, I don't want to be interpreted as suggesting that there is anything inferior about the resource industries.

THE CHAIRMAN - The mining industry I am sure would agree with those last remarks.

PROFESSOR GALBRAITH: Mr.Chairman, I have talked all round your question but I haven't talked at it.

THE CHAIRMAN: I appreciate it is a very difficult problem.

PROFESSOR GALBRAITH: On the question of United States tariff policy maybe I could plead privilege. On this point Mr.Churchill once laid down a rule that one should never criticize his Government when he is out of the



country and never stop criticizing it when he is in the country.

THE CHAIRMAN: That is fair enough.

There is one point in particular which I hope you will be willing to discuss at a little greater length; you refer in your presentation to the full employment policies which Americans and Britishers and Canadians have come to believe in, and express an opinion that it would be hard to imagine a serious world depression while there was full employment in those three countries. You also warn that that is not a policy which Canada can pursue in isolation. I would like to ask you this, if - despite present policies - there should be substantial unemployment in the United States at any time, for any reason; in other words, if there should be a depression or recession in the United States, do you believe there are measures which Canada should take which would mitigate at least to some degree the effects which such a recession would have in this country?

PROFESSOR GALBRAITH: Yes, though

I suspect it would require some change in conventional attitudes, if we had unemployment with which we couldn't contend or didn't contend. This remains a possibility -- even with the expansionist policy in Canada it could still be possible, but it would probably raise





some very nasty problems about the balance of payments and this in turn would raise the question of re-instituting exchange and direct controls, in the absence of very extreme measures through tariff action, which again would be probable. My own position on that would be very clear and here is where I think the orthodox multilateralists are wrong -- I would rather make a breach with the principle of multilateralism and deal with the exigent problem of unemployment, than worry too much about the question of the principles that were involved. I don't think there is any doubt that this would have to be faced. There is also no doubt that to a great many people phrases like exchange controls and direct controls have become almost swear words; you know, something you don't do no matter how great the suffering.

THE CHAIRMAN: I think that has been a very helpful answer - it is certainly something which the people of this country worry about, as to whether there are really any things we could do in such an eventuality which would ease a condition of serious unemployment here. I take it that your view is that if we attacked it boldly and didn't worry about too many pre-conceived ideas and beliefs, that something could be done?



PROFESSOR GALBRAITH: Let me say one further thing -- this is the sort of statement where ten or fifteen years from now ones students come back at one with devastating vigour and use against one, but let me risk it anyway. I do not think that the danger of large scale unemployment in the United States is very great; I think since the War the European countries - Western European countries - have spent far too much time worrying about this and I would suggest that Canada, being closer at hand, probably - well certainly, have not worried as much and they should not. The political sensitivity of American life to unemployment is extremely high and an extraordinary thing about the last election was the devastating effect of fewer than four millions unemployed in 1953 to 1954.

These things are inducements not only to prompt action but to a shaking off of conservative and ancient preconceptions about budget balances and avoidance of deficits and so on. I doubt that I shall ever see again mass unemployment, but maybe -- maybe. I hope that "maybe" is on the record.

THE CHAIRMAN - I have one other remark to make -- it is not a question -- towards the end of your paper you refer to the hard core of poverty which remains both in the cities and in rural areas,





despite remarkable advances in the overall economic growth of the country -- I think the members of this Commission would agree that these conditions and the people who are afflicted by them should be very much on our conscience as you suggest. And that must be very much in our minds when the time comes for us to draw conclusions about the kind of policies which might be appropriate for the future and all of us, I am sure, are grateful to you for emphasizing that fact.

MR. STEWART: There are a great many questions I would like to raise, but only a few I propose to ask. You were visualizing a situation in which all countries, or most of them, will have full-employment policies and be at least partially successful. Now in that situation, it is still necessary in a country such as Canada, to give thought to external relations and I would think, in making decisions with regard to the future, some of these external factors would still be quite important in the choices that we would make.

PROFESSOR GALBRAITH: Yes.

MR. STEWART: I don't know whether you want to try to crystal ball gaze or not. We have some of these things to do, and I would like your views. I would think that one



of the important things is what is the structure of commercial policy generally in the world, to which we have to adapt ours, or of which we will be a part. Would you care to offer any views on the prospects?

PROFESSOR GALBRAITH: You are thinking in terms of something like Wheat ?

MR. STEWART: Well at the moment more generally, although specifically perhaps what I mean is, there is a great deal of talk in the United States as you yourself have indicated, on the emphasize of multilateral trends. Are we going to get multilateral trends or is it going to be worked out in some other way.

PROFESSOR GALBRAITH: Well that is a question that calls for the use of the crystal ball. My own disposition is however, to think that much of our talk or some of our talk on multilateralism is based on a kind of social nostalgia. This was apparent in the Nineteenth and early Twentieth Centuries and was wonderfully steady and in some degree wonderfully understood. The much more messy arrangements that we have had since have never had anything like that classic clarity and integration and smoothness of this system. But they have been more - much more - effective in protecting individuals or communities from





misfortune, or even countries from misfortune; and when the tests actually come, as in the case which was mentioned by the Chairman, where Canada faces a choice between exchange control and an unemployment problem, when the tests come, it is multilateralism which will go by the board. It would seem to me unfortunate to place too much emphasize or too much hope on the rehabilitation of pre-Nineteen fourteen world. The pre-Nineteen fourteen world, we should occasionally remind ourselves, involved a willingness on the part of some people to suffer and on the part of a great many other people, to allow suffering, which we have somehow lost.

The other thing that I would say and this is to some extent, on the other side of your question Mr. Stewart, is that if we are successful in maintaining a full employment policy, this takes off a great many of the strains. I have had occasion in the last few months to go back and go over some of the problems of the commercial policy of the Twenties and the Thirties. The fallacious "beggar my neighbour" policy of the Western European countries in the Thirties is something we have almost forgotten about and that was based on countries which were having a contracting income, increasing unemployment who cut loose to do anything they could to salvage



their situation, however damaging it might be to their neighbours. If Belgium could get a few people to work by going ahead and cutting out French agricultural products, they did it. If the French on the border areas could get a few people growing vegetables by cutting out Belgian imports, they did it, and this went all around the Western European community and it was based on a kind of desperation which comes from depression and unemployment. So that the trend here isn't entirely bad if we can look forward to tolerably good employment - we have no reason to fear some of the tensions that forced us in the other direction before.

MR. STEWART: Thank you - and the other point - again on the question of countries operating on policies of full employment, first of all, would it be reasonable to expect under those conditions that there would be an inflationary tendency -- generally speaking?

PROFESSOR GALBRAITH: This is a very puzzling question. It is perfectly plain that in the case of the United Kingdom for example, there is a kind of suppressed inflationary potential which is kept under control with only great difficulty. In our case -- I use the collective pronoun here -- the case of Canada and the United States - this clearly





isn't true. My Colleague, Alvin Hanson, argues on that same point, that the United States has a strong deflationary potential, and that the amazing thing about the United States in the period since World War Two, is not inflation, but the number - I might say the enormous number of inflationary pressures which we have overcome. There was a huge pent-up demand following the war, the extraordinary pressures of overseas requirements and military expenditures stayed fairly high - the great re-equipment effort - it was all taken more or less in our stride. There was a little upsurge in Nineteen forty six and Nineteen forty seven, prices then were stable until the Korean war. When I wrote the first part of my little Capitalism book I was much struck by the long and persistent inflationary trend, and then I got around to the subject of recessions; -- I took that out - I had ceased to be concerned with that.

MR. STEWART - Then looking ahead for a substantial period of time you would not feel an upward movement of prices would constitute any significant problem?

PROFESSOR GALBRAITH: I would say in the degree to which one can sense these things, the economies of the United States and Canada have



to be propped rather than repressed and I would say incidentally, that that is a good thing. It is an awful lot easier to prop them than the repress them.

MR. STEWART: My third question has to do with agricultural programmes and policies. Obviously, in regard to the agricultural problem it is not a problem of unemployment. It is a problem of under-employment or instability of income. First on the instability factor, have you any suggestions to give us which might help us to see some of the answers to this problem in Canada?

PROFESSOR GALBRAITH: I am not sure that I have Mr. Stewart. I have thought a lot about this in United States terms - as you know, I am quite persuaded that we are going to have to very soon change the basic technique of our agricultural programme and I hope it will be sooner rather than later. That we will continue to have agricultural programmes I haven't the slightest doubt. The technique of price support is one that we cannot live with very much longer and I would hope that in a relatively short time we would find ourselves shifting over to the system that the British now use, a system that has been proposed in our case - letting prices find their own level and making up the guarantee. This is a policy that comes a good deal more easily





for us than it would for Canada, because you have to grade an awful lot of wheat. On the other hand, were we to shift over to this policy it would ease a great many problems in Canada too.

MR. STEWART: The last question has to do specifically with the agricultural situation in the Atlantic Provinces. I had the opportunity to read a paper that you wrote at McDonald College which referred to this problem of extensification. In relation to that situation I find myself very much in sympathy with the ideas you have mentioned, that what is needed down there is a programme of extensification - but coming from the Prairies I have to realize that the Maritimes are not as uniform in their physical aspect as we are in the Prairie region, and there are a lot of local differences as to the particular manner in which re-organization could be effective. Would you care to say anything more about this particular problem?

PROFESSOR GALBRAITH: This is a puzzling thing but it really is something that we are beginning to understand, although we are still a long, long way from the solution. I referred in that McDonald paper to the work that Mr. Jenkins has been doing in connection with Harvard - in Digby



County; there was a time when Digby County had an excellent pattern of agricultural life - or a very good one - with improvements in transportation greater regional specialization and so on, the pattern of agricultural settlement of the county has become obsolete and there, a re-combination of units has become a difficult problem because the farms stretch for three or four miles back from the Coast, so that unless, purely by accident, you were able to get two or three farms together at about the same time, there is no method of combining them into larger units that will work. Yet it is also evident in that area, that grazing and some timber culture could produce for units of a sufficient size, a very satisfactory income. There are for example, a few farms in Digby County of three or four hundred acres which have excellent spruce lumber on them which are being cut over on a more or less sustained yield basis and producing very decent incomes. Now how does one get from this highly unsatisfactory pattern over to that ? Well as I say we just don't know and it is also complicated because of the fact that in any community there are, of course, vested interests. It isn't easy to go into a community and say there are too many people in this Church congregation; too many people





patronizing these stores, what is required here is de-population. It runs against what might be called certain Chamber of Commerce attitudes which are fairly commonplace on this Continent. Our thinking has always run in the other direction. However, I hope that in time we will come to understand these matters better and with understanding I think one can imagine steps towards the blocking up of holdings, working out farm plans for more extensive use, provision of credit for blocking up these holdings, and understanding on the part of local merchants and the Church and so forth, that a few reasonably well-to-do people may be better than a larger number of poverty stricken people, so that we may make some progress.

THE CHAIRMAN: We are extremely grateful to you Professor Galbraith - I think we would all like to continue this discussion all day and most of the evening, but there are limits to the extent to which we should impose on your good nature. It has been extremely kind of you and very generous, to have given us your time and to have prepared this paper for us. We are most grateful.

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Recess  
After Recess  
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THE CHAIRMAN : The next item on the Agenda is the submission of the Canadian Metal Mining Association and if you would like to carry on Mr. Wansbrough, I will mark your brief No. 129 for the record.

MR. WANSBROUGH : I would like to present Mr. Tapley, Director of the Canadian Metal Mining Association, Mr. H. Fraser our President, Mr. F. M. Connell, Director, and Mr. R. R. Brown, Vice President.

THE CHAIRMAN: I should say to begin with that we apologise for holding you up so long. We haven't found a way of guessing how long submissions are likely to take and we got out of kilter yesterday because Mr. Gardiner suggested he would take half an hour but he had a very excellent brief which quite obviously would take half a day to present - and we haven't caught up ever since.

MR. WANSBROUGH : In terms of endurance I think our sympathies are with you sir and so long as this submission is quite short, if I may I will continue Mr. Chairman and gentlemen.

We welcome this opportunity on behalf of the member companies of this Association of presenting to you some observations on the present and potential importance of the mining industry in Canada's national economy.

The Canadian Metal Mining Association is a Dominion-wide organization whose membership composes most of those mining companies which account for Canada's production





of base metals, gold, silver, other precious metals, iron ore, uranium, asbestos, and some of the other industrial minerals.

Although mining in some form has been carried on since before Confederation, the Canadian mining industry began to be of major importance some fifty years ago. However, the last decade - Nineteen forty five to Nineteen fifty five - has witnessed more remarkable progress for the industry than any other in its history, except for gold, which, being a monetary metal with a fixed price, has problems peculiar to itself and will therefore be considered in a separate section of this submission.

The dollar value of Canada's metal production - excluding aluminum but including asbestos - rose from three hundred and fifteen odd million in Nineteen forty six to One billion, one hundred odd millions in Nineteen fifty five - an increase of two hundred and forty eight per cent.

Figures for the individual metals are available in the reports of the Dominion Bureau of Statistics and for convenient reference are summarized in the attached appendix.

The demands made on Canadian developed ore reserves during World War Two were so great that in many instances production slumped immediately after the war, because developed ore reserves had reached abnormally low levels. Much development work had to be completed before production



could again be increased. Owing to the nature of our ore deposits, our climate, geography and transportation problems, it requires three to five years to bring an ore deposit into full production on a substantial and sustaining scale. Many of our established larger mining companies needed a comparable time interval to catch up on the enormous backlog of development work postponed during the later stages of the war.

This task was tackled with great energy and success. Expansion in the production of copper and lead has about succeeded in restoring the output of these metals to the peaks established during the war years. Nickel and zinc have for some years past succeeded in surpassing their wartime peaks. Supported by strong demands and good prices, nickel and copper have been the two principal contributors to mineral progress. The value of copper and nickel, plus the associated cobalt, precious and other metals in the nickel ores, accounts for fully half of the dollar value of Canadian metal production.

The post-war expansion in the metal mining industry has been notable not only for the increase in physical output but also for certain other features, namely, the variety and magnitude of newly discovered and developed deposits, including certain metals not hitherto of major economic importance; the widespread geographical location of the new developments; the expansion programmes of established producers; the greatly increasing degree of





mechanization, with marked improvements in mining practice and engineering efficiency; the especially rapid development of iron ore and uranium properties; the application of new techniques to the detection of mineral deposits; and the commercial development of new metallurgical processes of major importance.

One of the reasons why the last decade is regarded as the most fruitful and progressive in Canada's mining history is the widespread geographical location and varied mineral content of the deposits which have been brought under development or recently discovered. The briefest summary of certain of the more important makes an impressive list.

They range from the base metal deposits of the Yukon and the Northwest Territories, especially those at Pine Point on the south shore of Great Slave Lake; the copper deposits of Granduc and the asbestos of Cassiar in northern British Columbia; the uranium developments of the Beaverlodge area of northern Saskatchewan, including the new operations of Gunnar Mines; the nickel-copper-cobalt operations at Lynn Lake in northern Manitoba; in Ontario, the iron ore operations, the uranium developments of Blind River and Bancroft, and the copper-zinc deposits of the Manitouwadge area, now under preparation for production; the production of titanium slags; and lithium in the Province of Quebec, where new copper-gold mines are operating in the Chibougamau area, and where the large copper ore bodies of the Gaspé



Peninsula are now in production. The progress of the Iron Ore Company of Canada in producing rapidly mounting shipments from their New Quebec-Labrador deposits is well known, as are the indications of extensive deposits of iron ore in Ungava.

The Maritime Provinces are sharing in the general progress through the discoveries of substantial copper, lead and zinc deposits in New Brunswick. In Newfoundland, also base metal production has expanded and intensive mineral exploration programmes are underway.

Many of the recent discoveries have been due to new techniques of locating ore bodies at depth or under heavy overburden, in particular both surface-operated and airborne magnetic and electronic instruments. These have supplanted traditional methods of prospecting but have proved most valuable aids in indicating likely areas of mineralization.

Another important factor in current progress during the past decade has been the expansion programmes of established producing companies, which have resulted in new production levels being achieved, as well as involving major expenditures for equipment, metallurgical plants and housing. The post-war introduction of the light-weight rock-drill, the tungsten carbide bit and improved blasting methods have combined to create a major improvement in underground mining. Larger tonnages and more efficient extraction have been obtained by the application of improved mining methods.





New or commercially improved treatment processes, such as flash-smelting, controlled cooling of nickel-copper matte, ammonia-leaching, zinc-fuming, sulphating fluidizing and moving bed roasting, and the treating of pyrite and pyrrhotite for the recovery of elemental sulphur and high-grade iron-sinter, have made possible either the utilization of ores formerly untreated or the more complete recovery of mineral values.

Notable progress therefore has been made in the diversity as well as the volume of metal output. The production in quantity of uranium, calcium, electrolytic cobalt, magnesium and titanium, with good promise of lithium and columbium, are all essentially achievements of this decade.

Now turning to the gold mining industry during the past ten years, while the rest of the industry has advanced to new heights and levels of achievement, the gold mining industry has been reduced to a comparatively stagnant condition. The cause is well known. The gold mines have been steadily squeezed between rising costs of production against a fixed price for their product.

By Nineteen forty seven it was clear that a critical situation had arisen. In Nineteen forty eight the federal government enacted the Emergency Gold Mining Assistance Act, which has been periodically renewed, with various changes of formula to meet changing conditions, and which remains in force, until the end of the present year,



Nineteen fifty six. Without such assistance, few gold producers could have continued to operate this long. Fifty six lode gold mines are operating today compared with the eightyseven of Nineteen forty eight. Those companies which have succeeded in continuing operation have done so because they have been able to carry mechanical and technical efficiency to an unprecedented level. Further increases in efficiency or reduction in cost will be difficult to achieve and offer hope of only very limited improvement in total production costs.

The comparative stagnation which has been forced upon the gold mining industry is the more to be regretted because historically the search for gold has been the spearhead opening up the north country, and capital accumulated through gold mining activity has been fruitfully employed in developing other metals and minerals. Also, a strong gold mining industry is, as it has proved in the past, the best hedge which a country can have against economic depression.

In the present circumstances it is not easy to see any long-term solution for the problem of the gold mines except an increase in the price of gold adequate to offset the increase in the costs of producing it. That, however, is an international question of which the key rests, through the International Monetary Fund, with the Government of the United States. The reiterated statements of officials of





.the United States Treasury give little ground for thinking that the price of gold will be increased in the near future.

Therefore it is to be hoped that the Canadian Government will act to alleviate the problem arising from the special circumstances under which gold producers are compelled to operate. At present gold mines have little to offer their employees by way of long term prospects; in consequence they are finding it difficult to retain their personnel. Mining necessitates planning ahead over a period of years, and uncertainty as to Government policy and intentions makes this impossible to do in gold mining operations.

Any failure to support the industry would have very grave consequences, not only to the mining companies and the output of gold, but also to those important towns and communities, extending from Yellowknife to northern Ontario and northwestern Quebec, which are dependent on the industry for their existence. It is therefore of great social as well as economic importance that the gold mining industry should be afforded the opportunity of maintaining its operations and of expanding its role in the national economy. It is our considered opinion that, pending an increase in the price of gold, assistance to the gold industry must be continued or there will be ghost towns throughout the gold mining areas.

Now to move on to the question of the mining industry and Canada's economic welfare - judged by any



yardstick, the mining industry in Canada ranks as one of the greatest of our primary industries and one of the chief mainsprings of the whole economy.

In its mines and treatment plants the industry directly employs some ninety five thousand persons and, unlike some other primary industries, provides continuous employment throughout the year. This figure may be multiplied several times by virtue of the indirect employment which the industry generates to meet its own requirements of materials and supplies.

Also, the products of the mines, representing newly created metallic wealth, and being the raw materials of other industries, are the essential base on which secondary and tertiary industries depend and so continue to generate employment at all stages of the industrial process.

Most mines are developed in areas where there is little or no other economic activity. In consequence townsites, with all the associated services for community living, have to be furnished. This requirement coupled with the needs in machinery, equipment supplies and services for mines and plants, results in very substantial demands on secondary and manufacturing industries. Further, the development of northern Canada through expanded mining activities has provided a great stimulus to transportation partly by waterways, but especially to airlines, both for freight and passenger services, and in railway construction, as is evidenced in the building of railroads in connection





with Kitimat, Lynn Lake, Manitouwadge, Quebec-Labrador and Chibougamau, Quebec.

The mining industry is one of the largest factors in Canada's export trade. On the basis of official figures published for the first nine months of Nineteen fifty five, it is estimated that total metal exports for the year will amount to seven hundred and fifty million dollars.

New capital investment in construction, machinery and equipment amounted to one hundred and sixty two million dollars in Nineteen fifty four. For the past three years it has been increasing at the rate of approximately twenty million dollars a year, and for the years Nineteen forty seven to Nineteen fifty four inclusive has totalled seven hundred and eighty million dollars.

Now some other factors in the industry's progress are mentioned -- from the foregoing review it will be evident with the exception of gold mining, the mining industry is at present an extremely vigorous industry and is in a very healthy state which promises much for the future. The progress made during the past decade reflects the enormous post-war demand for metals, as well as bearing witness to the accumulated and developed skills of Canadian technical personnel and labour. But there are also other factors which have contributed to this progress.

The importance, for example, of stability of government, such as Canada as long enjoyed, cannot be too



strongly emphasized. Mining, by the nature of its operations, calls for long-term planning and the investment of capital on a very large scale. Without assurance of stable government policies, it would be impossible to secure or maintain that favourable financial climate which the industry needs for its steady progress. In Canada we have been fortunate in this respect, and strong confidence has been built up, both at home and abroad, in the essential soundness of the industry and of the generally favourable conditions under which it operates.

Federal tax legislation has many features designed to give encouragement to the continuity and expansion of mining operations, such as the maintenance of depletion rates, and the incentive given to developing new mines by granting thirty-six months of tax-exemption to the income from production. This provision with the write-offs for exploration, development and pre-production expenditures incurred in Canada, is incentive legislation of the highest value to mining enterprises. It has proved an important factor in stimulating mining expansion and in securing development capital.

In addition, there is a variety of services supplied by the federal government, and the provincial governments by which the industry is greatly assisted. Federally, the work of the Geological Survey and the Mines Branch of the Department of Mines Technical Surveys, with its special research in the development of processes for





uranium and other metals, is of great value, as are the activities of provincial departments of mines in furnishing geological data, building access roads and highways, and in many other fields.

Research is playing a more and more vital part in the progress of the industry. Special recognition must be given to the work of the National Research Council and the Ontario Research Foundation in the field of chemical metallurgy and the extremely important work conducted at Chalk River by Atomic Energy of Canada. Such government-sponsored research projects are of fundamental importance and so should be fostered and encouraged by all feasible means.

Tribute should also be paid to the services of the provincial hydro-electric power companies on whose co-operation the industry heavily depends. These are some, but by no means all, of the services rendered by public bodies or government agencies which have contributed notably to the growth and expansion of the industry.

While the mining industry has grown to be a giant among Canadian primary industries, there are many grounds for believing that it is still in its comparative infancy, if certain conditions are fulfilled. Of Canada's total area of about three point eight four million square miles probably one million square miles is regarded as potentially favourable prospecting ground. Of this area, only some twenty per cent has been closely prospected or geologically mapped.



If Canada is to be developed in depth and the latent resources of its vast northern reaches are to be realized, the mining industry must be the chief and, in many areas, the only instrument. Wise national policy would suggest that every encouragement should be given to speeding such development. The mining industry faces the future with the greatest possible confidence, believing that it has a part to play in Canada's growth and economic welfare perhaps greater than any other industry. At the same time, we would respectfully draw to the attention of the Royal Commission some of the problems which face the industry and which, unless satisfactorily dealt with, may unduly impede its progress.

First with regard to professional personnel, the alarming scarcity of trained professional personnel -graduating from our universities has given concern for some years and university authorities and educational authorities have assisted in taking some steps to remedy the situation, with encouraging results. It is clear however, that the need for trained men and the opportunities for successful and useful careers in Mining engineering, metallurgy and geology must continue to be widely publicized and that suitable inducements must be offered to young men of promise, both in Canada and abroad.

Our schools are grappling with the problems arising from increased enrolment, and our universities are faced with the prospect of a sharp upswing in the number of





students seeking admission in the next few years. Serious and urgent attention should be given to improving the teaching facilities in the schools and to providing the universities with more adequate means for training the engineers and scientists of the future.

The achievements of the past ten years in the mining industry have been due to the high quality and the accumulated experience of its geologists, engineers and metallurgists. Without steady and ample recruitment of able young men, the backlog of experience in practical operations and research soon becomes exhausted. Such a result would have a most damaging effect on the industry's progress. And adequate flow of young men of good professional capacity is vitally necessary.

A few years ago a severe manpower shortage was felt throughout the mining industry. As a result of a specially planned and conducted immigration programme, some six thousand immigrants were brought from Europe and settled in mines across the country, with very satisfactory results.

Every indication suggests that the industry faces a long term continuing shortage of manpower. From previous experience it is regarded as unlikely that suitable men can be obtained without resort to further immigration. The industry therefore strongly urges an aggressive immigration policy.

Now we come to the problems of Northward



expansion. Past experience indicates that for many years to come important discoveries of ore deposits will continue to be made in or near the older mining districts which have already made their mark on the map of Canada. But concurrently the expansion of the industry will move into the remoter areas of northern Canada, which will become increasingly important as a source of mineral wealth, as the more accessible deposits are worked out.

Enough experience has been gained by companies operating in the Yukon, the Northwest Territories, northern Saskatchewan and similar latitudes to indicate the special difficulties which have to be faced and overcome in such areas. They are essentially problems of transportation communications and power. The development of northern Canada will be dependent on adequate provision for these services, and this will call for forward-looking policies and financial participation on the part of the federal and provincial governments. The opening up of the north on any large scale can be achieved only by a co-operative effort on the part of industry and government. While mining companies are willing to take the risks involved in opening up mines in remote areas, their efforts must have the strongest support by government authorities, expressed in part in the form of provision of adequate power, transportation and communication facilities.

Governments, provincial and federal, have an obligation to institute and maintain a continuing policy





of improving transportation to induce and encourage mining companies to extend their search for economic deposits in more distant areas. Also, in view of the greatly increased initial costs and slower financial returns which remote operations necessarily incur, they should be granted favourable tax-treatment by provincial governments, and the federal government should give additional encouragement by extending the period of tax-exemption granted to a new mine in northern latitudes or in remote areas.

THE CHAIRMAN : That is what we call the Connell formula.

MR. WANSBROUGH : Concerning which I think you will hear more, Mr. Chairman. Now on the subject of International relations:- other problems which deserve consideration arise from the fact that the mining industry is essentially an exporting industry dependent on markets outside Canada for the disposal of a high proportion of its products.

Great as our resources are, Canada enjoys no monopoly of mineral wealth. The mining industry must compete in world markets with foreign producers, and it is a reasonable expectation that such competition will increase. Many of these producers have wage rates established at levels far below those which are general in this country, and wage rates are the largest single factor in production costs, both directly and as reflected in power, transportation, fuel and other basic costs. From our position on the North



American continent, Canadian producers are under constant and highly organized pressure for increased wage rates and extended social benefits. The great danger is that production costs will increase to the detriment of our competitive position, especially with reference to countries other than the United States. There is no easy or obvious solution to this problem. But it is necessary to keep it constantly before us as a reminder that realistic policies are essential - especially on the part of governments in taxation and social legislation. The pyramiding of costs at the present level of taxation is one of the greatest threats to the future welfare of the industry.

The interests of an exporting industry clearly require the greatest freedom of access to markets abroad and the minimum of interference with the free flow of international trade. As far as the mining industry is concerned, this may well prove more difficult in the years immediately ahead in regard to one of our most important markets, the United States. Two years ago, on the basis of a survey and recommendations made by the United States Tariff Commission, considerable pressure was brought to bear on the United States Government to increase tariff duties on imported lead and zinc. The recommendation was not accepted by the President. Instead the stockpiling programme for these metals was increased. Such solutions, however are temporary; sentiment among United States domestic producers is still strong, and further pressure to raise duties





against the importation of these products is to be expected. Any such change in tariffs would be a serious set-back for Canadian producers and highly disturbing to Canadian-American trade relations.

In this connection the Paley Report "Resources for Freedom" - a report to the President by the President's Materials Policy Commission in June Nineteen fifty two - is a significant document. It emphasizes that in important respects the domestic mineral resources of the United States are growing steadily less adequate to its needs. The United States will become progressively more dependent on outside sources of supply. The Report also estimates that over the next twenty to twenty-five years there will be a steady and sharp increase in requirements in the United States for the great majority of metals.

Canada is obviously in a very favourable position to furnish these requirements, as one of the closest and most dependable sources of supply. Any movement in the direction of curtailing imports of Canadian metals into the United States can only be regarded as a retrograde step. There is an obvious inconsistency between the need for supplementing diminishing domestic sources of supply by increased imports and at the same time attempting to raise new barriers against such imports. It is to be hoped that the United States Administration can work out a satisfactory reconciliation of this paradox.

The proposal is frequently made that Canada



should adopt a "national mineral policy" aimed at reducing our dependence on export trade and increasing the fabrication in Canada of a greater proportion of our metallic raw materials. As a long term goal this proposal is certainly to be commended. With growth of population and increased industrialization, the trend in that direction will certainly increase. It is not realistic, however, to expect the process to be anything but gradual; nor can it be prematurely pushed beyond the point where domestically fabricated products can be absorbed by the home market.

The cardinal fact is that our largest customers desire and need our raw materials but are reluctant to admit manufactured goods into their market. In these circumstances we may anticipate for many years to come that the Canadian mining industry will have large surpluses of mineral products which will have to be sold abroad. It continues therefore to be of major importance that government policy is directed, as it has been in the past, to keeping the channels of international trade as free of obstacles and restrictions as possible.

In conclusion, for its welfare and expansion in the years ahead the Canadian mining industry looks first to its own efforts and enterprise. It is confident that it can continue to discover and open up new ore deposits, and steadily enlarge the development of Canada's mineral and metallic resources. To what extent over the next





twenty to twenty five years will these resources be required?

Fully aware of the pitfalls of prophesy, we would again call the attention of the Royal Commission to the Paley Report, published in the United States in Nineteen fifty two. This survey was undertaken at the direction of the President of the United States to examine to what extent the raw material resources of that country were adequate to its requirements and to project a forecast of the situation to Nineteen seventy five. The Commission had at its disposal the most expert research staff. Their survey included an examination of the probable requirements of metals and minerals not only in the United States but in the rest of the free world over the next quarter-century. The conclusions of the Commission in our view, merit careful consideration and are the best guide available in attempting to make any estimate of the future world demand for metals which, in turn, will set the objective towards which expansion of Canadian production can be realistically geared.

The findings of the Report indicate that over the next twenty years there will be a steadily growing demand for metals both in the United States and in the rest of the free world. It anticipates that increases in production will be required ranging from forty eight per cent and forty nine percent for copper and zinc to one hundred per cent for nickel and three hundred and forty per cent for cobalt. In view of the enormous tonnages now



produced and consumed in all the major metals, increases of the magnitude anticipated will keep productive capacity at full stretch.

The best available evidence therefore indicates that the Canadian mining industry can proceed with confidence as far as the probable demand for its products is concerned. To accomplish its full task, however, and to make its maximum contribution to Canada's economic welfare and prosperity, the mining industry must continue to have the co-operative assistance of governments federal and provincial.

Such assistance should be directed particularly at the following objectives: enabling the gold mines to recover their economic importance in the national economy; increasing the number of, and improving the training facilities for, professional personnel; instituting and maintaining an aggressive immigration programme; developing northern Canada, alike for defence as for economic reasons, with all feasible speed, especially by the establishment of adequate services in transportation, communications and power; offering strong inducements to mining enterprises to expand northwards through favourable tax legislation; keeping access to markets abroad as unrestricted as possible and, in general, maintaining the incentives of free enterprise.

May I now repeat our expression of pleasure at being permitted to submit these considerations to you and





to assure you that, if there is any further way in which this Association can assist you in your important undertaking we are very much at your service.

THE CHAIRMAN: Thank you very much Mr.

Wansbrough - I think perhaps this is not a good moment to ask a number of questions which may be very much more easily handled by individuals than by anybody trying to represent the Metal Mining Association -- I understand the industry is not always completely unanimous on some things --

MR. WANSBROUGH - I wouldn't go that far but just as an Association official, I will make sure Mr.Chairman that any questions not already dealt with are carefully considered by the Board.

THE CHAIRMAN: I would like to take this opportunity to thank you, as representative of the Metal Mining Association and also the Mining Industry in general, for the great help you have been to this Commission already and to the members of the research staff, and the help that you are continuing to give us. Quite obviously we would have been unable to make the kind of studies which are being made without the help of the Association and all the leaders of the industry and we are very grateful indeed to all of you. We have a few questions we want to ask Mr.Connell this afternoon and I am quite sure he can handle them. Meantime, we will adjourn until two thirty.

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Hearing adjourned at 1.20 p.m.



Hearing resumed at 2.30

THE CHAIRMAN: Gentlemen, if we could come to order now, the first submission this afternoon is that of the Ontario Mining Association which I will mark Exhibit No. 130 for the record.

MR. N. PARKINSON: - Mr. Chairman and Gentlemen of the Commission, we will be happy to give the formal presentation of our report, together with Mr. Beattie who is one of our directors and Past President, and Mr. Frank Joubin who is the President of Algom - Mines, and connected with I think enough companies to represent pretty nearly fifty per cent or even over, of the total indicated Uranium product -- Mr. Roscoe is also one of our directors and although he is here on other business today, he makes a worthy representative of our association. Having said that sir, I think there is nothing to add for the moment except to ask Mr. Fotheringham to commence :

MR. FOTHERINGHAM : Mr. Chairman, and Gentlemen - it is with great pleasure and some assurance of mutual interest that we present to you certain data together with views of our members on the studies with which you are concerned. We are glad that you will be considering on a National scale, matters such as development and supply of basic raw materials and prospective requirement for industrial and social capital which, in a more limited way have been our direct concern as a part of the business of mining. The impact of these on our future National welfare cannot help





but be of interest to all.

The Ontario Mining Association was incorporated in Ontario by Letters Patent in Nineteen Twenty. It is a non-profit voluntary association of companies, operating mines and reduction plants. Its membership comprises virtually every operating mine in Ontario, some thirty six in number, together with some eleven holding companies and reduction plants. The future of the mining industry in Canada and its impact on the National economy can, perhaps, be best appraised from a careful study of the results of some fifty years of active metal mining to which is added an informed estimate of future possibilities, based on known indicators.

That the economic influence is substantial can be appreciated from the fact that in Ontario some thirty five thousand people are already employed in the metal mining industry. They mine and treat some twenty nine million tons of ore per year and recover products (metals plus asbestos) valued in Nineteen fifty four at three hundred and ninety one million. These figures of themselves are impressive but do not tell the whole story.

In Nineteen forty three the Association arranged with Mr. Balmer Neilly, and through him with Mr. Douglas Mutch to collect from official sources, statistical information having to do with the various aspects of the industry's developments in Ontario from the date of its virtual inception on any substantial scale in Nineteen hundred



and seven until Nineteen forty one. While such figures are available to anyone, their collection and publication in one volume provides a ready and valuable reference. Conclusions of some accuracy on many phases of the industry's activities are thereby facilitated and we have felt that such a volume would be of assistance to you in your work. We have, in the circumstances, added to the information previously collected, to bring it all up to date and have pleasure in presenting to you sufficient copies for your use. We will at the same time use the data to illustrate the various points to which we propose to refer. Our brief is divided into two main sections - Part One, being an outline of the present industry with respect to its pioneering aspect, its effects on other industry, mining population as settlers and purchasers of goods and services, and the over all effect of the industry on the prosperity and progress of the country and part two deals with the future of the industry with respect to the life of the present mines, the possibility of finding and developing new mines and measures that can be taken to maintain and encourage the growth of the industry.

Dealing with the pioneering aspect of mining, much has been said about the influence of mining in the development of our northern and some times difficult to reach areas. Sudbury, Cobalt, Porcupine, Kirkland Lake, Red Lake, Algoma and Steep Rock - have felt the influence of mining in the impetus to their growth and development. This is all now





past history and many of the early and somewhat crude mining camps have, in the interim, become thriving communities. Some of them - particularly amongst the gold camps - are still to a degree, dependent on a continuation of mining in the area; others, such as Sudbury and Sault Ste. Marie, have, through the building up of multiple industries, reached a degree of stability.

Early in the development, colonization - the settling of tillable lands in the area where ready market for products of the farm, market garden and dairy are provided - became a notable feature of the programme of mine production.

In Nineteen forty six for the information of the Natural Resources Committee of the Senate - we obtained from the Dominion Bureau of Statistics, a statement of the amount of farm products in pounds - marketed in the Kirkland Lake and Timmins areas, during the last of the -gold industry's maximum production years, Nineteen forty one, which showed in Kirkland Lake some nine million pounds of locally grown products and twenty million pounds imported from other than local sources and for Timmins some fourteen million pounds locally grown and some thirty seven million pounds from other sources, - a total then of twenty three million pounds from these two communities and some fifty seven million pounds from other sources for the same two communities.

In other words, even at that comparatively



early stage of development in a country never farmed previous to the introduction of gold mining, twenty nine per cent by weight of the total farm products marketed in the two centres was already grown locally.

That the pioneering effect of mining development is not over, however, can be appreciated from the happenings in the past year or so in such areas as Manitouwadge, Blind River and Peterborough, where large tonnage operations, base metal and uranium, on the way to production or indicated, have resulted in substantial new townsites being established.

For some evidence as to the extent of this activity we would draw your attention to the Schedule No.1 of our statistical data, where you will note that two hundred and seventy three thousand prospectors' licences were issued or renewed over a period of thirty five years, nearly eight thousand a year. You will also note that four hundred and twenty thousand claims were staked and recorded over a period of forty six years; nearly ten thousand per year, and that Nineteen fifty three recordings were well above that average. With mining claims approximately forty acres in extent, it will be apparently that the ground coverage has been enormous.

We would ask you to note also in Schedule (Two) in a summary of mining companies and syndicates incorporated or licensed in the province, that sixty seven hundred whose business was stated to be metal mining, were





so formed in fifty years. All these are definite marks of activity and growth and point to an effect on other businesses in Canada and to the encouragement Canada offers to investment or risk capital.

Dealing with the effect on other industry it can be appreciated that the operating mining industry brings to other business a great new consumer of their products. Substantial businesses have, indeed, been developed in Canada to supply the needs of the mines alone for certain machinery and equipment. While here again the situation is one of more or less common knowledge, it may be of interest just to cite a few over all figures.

With respect to general purchases in the calendar year Nineteen forty nine the mineral industry in Ontario purchased capital goods, process supplies and general services, to the value of a hundred and five million dollars. During the same period the mineral industry in Canada spent two hundred and thirty five million dollars on these items. The purchases tabulated are for the use of the mines and processing plants alone and do not include requirements for the thirty five thousand employees and their families engaged in these mines and plants.

With respect to railroads, the total freight hauled by our railways in Nineteen fifty one amounted to a hundred and sixty one million tons of which fifty six



million tons or thirty five per cent, approximately, comprised mineral products. A breakdown of the mineral products shows some twenty five million tons of coal - fifteen million tons of ores and concentrates etc. and sixteen million tons of sand, stone and other products. It is interesting to note in this regard that recent developments in metallurgy whereby pyrite and pyrrhotite, are to be used for the production of iron ore, sulphur, liquid sulphur dioxide and also sulphuric acid; this latter for the use of the uranium mines, will involve heavy additional shipments of ores and concentrates to treatment plants and of final products therefrom to their ultimate destination. Noranda Mines Limited, one of the early potential shippers in this regard, provide the following figures.

The new plant presently operating at Port Robinson, Ontario, has a capacity to treat one hundred and eight thousand long tons of pyrite per annum. It will produce seventy three thousand long tons of highgrade iron oxide sinter - eighteen thousand long tons of elemental sulphur for use of pulp and paper mills; and thirty five thousand long tons of sulphur in the form of sulphur dioxide gas.

All the pyrite will be shipped some five hundred and eighteen miles from the Noranda mine in Quebec and the products shorter distances to steel mills,





pulp and paper mills and the plant of the North American Cyanamid Limited for conversion to sulphuric acid.

A similar plant of larger capacity is now under construction at Cutler, Ontario, in the Blind River area. It will supply sulphuric acid required in the leaching of uranium ores in that district.

At capacity it will treat a hundred and seventy two long tons of pyrite annually, one hundred and twenty thousand long tons of iron oxide sinter for shipment to steel mills, twenty two thousand long tons of elemental sulphur for the pulp and paper Mills and five hundred tons per day of sulphuric acid for use in the uranium mines. Here, the rail haul to the plant from Noranda is some three hundred and eighty miles and of the products, the iron ore sinter and the elemental sulphur will also probably be shipped out by rail.

The development of this new sulphur-iron process as is the case with the development by the nickel companies, and a very important development -- to treat their low grade pyrrhotite ores for the recovery of iron and sulphur, and referred to elsewhere in our brief, together result in substantial new revenues to the railways.

The Dominion Bureau of Statistics in reporting the value of mine purchases as previously quoted, include the following figures showing freight and express charges



- Outgoing in Ontario about ten million dollars and out-going in Canada about twenty three million dollars, Incoming in Ontario about four and a half million dollars and in Canada about nine million dollars. These figures apply to the Nineteen forty nine mines purchases and shipments and will already have been greatly increased by larger tonnages handled and by the recent increases in freight rates.

With respect to power, again referring to the 'Dominion Bureau of Statistics' figures for Nineteen forty nine, the cost of power purchased by the mineral industry was in Canada, fifteen million dollars and in Ontario six and a half million dollars. The total revenue of the Hydro Electric Power Commission of Ontario from power sales in Nineteen fortynine, sixty two millions and the take of the mineral industry in the province was, therefore, some eleven per cent of the total sales of power for all purposes.

With respect to Mining Population, thirty five thousand employees represent a directly supported population of some one hundred and thirty thousand people - processing, fabrication and distribution of products, activities in farming, merchandising and general services required for the employees themselves, mean substantial additional numbers whose welfare, indeed subsistence, stems from the mining industry.





We have no ready formula to present which would accurately measure the extent of this secondary group but Dr. Turner, Director of the U.S. Bureau of Mines stated to a sub-committee on reconstruction appointed by the Dominion Government in Nineteen forty one, that in the United States mining production valued at six billion dollars annually employs two million people, provides direct support to ten million people, refining processing and fabrication of raw materials result in products valued at fifteen billion dollars and during this second period there are directly employed another two million people; supporting again another ten million people. In the third stage, distribution to the ultimate consumers, the value of products is raised to twenty billion perhaps supporting five million people. Thus there are supported directly and indirectly twenty five million people, or twelve and a half persons for every one directly employed in the mining industry.

Processing is not, in the main, carried so far in Canada as in the United States and the ratio of indirect support per employee, would be somewhat less than this example. We believe, however, that one could conservatively say that one extra employee is directly supported in processing, fabricating, transporting, distributing the mine products and supplying food, etc., for each employee engaged in mining. The one hundred



and thirty thousand figure used above could well then be increased to a round number of two hundred and fifty thousand people.

With respect to the effect on Canadian progress and prosperity, the total value of mineral production in Ontario in Nineteen fifty four was four hundred and five million dollars.      Metallics accounted for three hundred and eighty eight million dollars of this total.      The corresponding figures for the Dominion as a whole were one billion four hundred and forty four million total dollars and the figure of seven hundred and sixty three million dollars for metallics alone.      In comparison, Canada Year Book of Nineteen fifty four indicates that the total cash income from the sale of all grain and root crops produced by the farming industry of Canada Nineteen fifty two was one point three million dollars.

While we have no figures available as to the percentage of the total farm income which may be paid direct to governing bodies in the way of taxes, we would refer you to schedule seventeen of our statistical presentation from which it will be noted that the combined total taxes paid by the gold, silver and nickel-copper mines in Ontario in Nineteen fiftythree for mining tax to the province for municipal taxation purposes was - to the Ontario Government, three point nine million dollars, Municipalities, one point two million dollars, Dominion Income Tax





thirty point three million, or a total of thirty five point four million. In addition, it has been estimated as you will note in schedules twenty A-One and twenty A-Two, and twenty B, that Dominion Income Tax paid by the recipients of dividends from the same operations in Ontario amounted in Nineteen fifty three to one point three million dollars from gold and silver mines and four point eight million dollars from Nickel-Copper Mines or a total of six point one million dollars. Were similar figures available at this time from the iron mines it is estimated that these taxes alone account for nearly twelve per cent of the gross value of all metallic minerals production in the province.

We have given you a brief outline of the extent and influence of the Mining Industry in the Province and of its economic position with respect to the people it employs, the municipalities in which they live, the railroads and other services and businesses supplying its needs and the needs of its employees, and finally its position as a producer of new wealth -- income from development of our natural resources - and the provision therefrom of tax moneys for the carrying on of our governments . Our hope has been to establish gentlemen, in your opinion, the need for the continuing life of an industry which provides such a boost to our national welfare and indeed for possible encouragement



in its future growth and extension. And now sir with your permission Mr. Beattie will take over.

MR. BEATTIE : With respect to the life of the present mines, schedule ten of our accompanying statistical study sets out the story to date of all the profitably productive gold mines that have operated in Ontario since Nineteen hundred and Seven - some seventy three in number. By profitably productive we mean mines which have come into production and have paid mines' profits taxes to the Province. Forty-one of these mines have already closed down; thirty-two are still operating.

Of those still operating, the ore reserves in tons have been shown where such have been reported by the company; estimates have been made in other cases. From this, using the number of tons treated in Nineteen fifty four, as a divisor, probable future life has been calculated. That this method may not produce entirely accurate forecasts, is granted, but it is based on factual information available. Perhaps the most serious criticism is in the use of the figure representing ore reserves calculated today as a basis for assumption that the mine will be operating from one to ten years from now. Ore at any time can only be mineralized rock which contains metals of sufficient value to pay for its mining, milling and metal extraction at a profit.





Ore reserves, and consequently the life of a mine, can and do change for several reasons. First a change in the price obtained for the finished metals - in the case of gold, the price to the Canadian producer dropped from thirty eight dollars fifty cents per ounce in Nineteen forty one to thirty four dollars seven cents in Nineteen fifty four - a decrease of eleven and a half per cent. In consequence, a ton of ore included in reserves in Nineteen forty one and valued at eight dollars was, in Nineteen fifty four, worth only seven dollars and eight cents. This might well, in some mines, spell the difference between ore and waste rock.

Secondly - an increase in the cost of mining and treating the ore, the average production costs, excluding taxes, of all Ontario gold mines in Nineteen forty one, were twenty one dollars and ninety one cents per ounce. By Nineteen fifty four this figure had increased to thirty dollars and eighty seven cents per ounce, an increase of forty one per cent.

The chief factor in mining costs is labour. For example, the Report of Directors of the Ontario Mining Association for Nineteen fifty three to Nineteen fifty four sets out on page fifty five, an analysis of the distribution of total income from sale of products of the auriferous quartz mines of the Province



in Nineteen forty one and Nineteen fifty two. The position occupied by wages and salaries in the cost picture in the two years is : in Nineteen forty one percentage of total value of production, thirty three per cent and in Nineteen fifty two, fifty one per cent; In Nineteen forty one, percentage of operating costs, sixty five per cent and in Nineteen fifty two sixty eight per cent.

The impressions gathered from interested propaganda may be that the wages of gold miners are, like the industry itself, depressed, but in amount per man per annum they still exceed the wages paid in the great majority of industrial occupations. Reference to Department of Labour Reports will confirm this statement. Also, as evidenced from the above figures, they are continuing to rise at a rate greater than the increases in other operating costs, namely fuel, and electricity, supplies and freight, smelting and refining. Any forecast of ore reserves, therefore, must have regard to the trend of wages and all other costs. This applies to all mining and, more particularly, to gold mining where the price of the product, fixed by the Government, has indeed decreased to Canadian producers during recent years.

Production results, thirdly, may not stand up to the calculated tonnage or grade of the ore reserves. While every care and precaution is taken to gather as





much factual information as to ore grade as can practically be obtained short of actually taking out the ore and putting it through the mill, inconsistencies in the ore body itself give rise from time to time to the necessity of revising figures.

It is most important, we believe, to realize that ore reserve estimates even where substantial development data is available, are subject to change for valid and apparent reasons. Estimates of ore reserves without ample development data would of course, be pure guess work and could not be used with soundness as a basis for the investment of substantial sums in mining, plant and equipment.

Now to summarize the position with regard to the gold mining industry, the computed average of profitably productive life of Ontario gold mines at twelve point nought two years, see schedule ten, may be expected to increase to some small extent during the next few years. No new gold mines have come into production in recent years; none is being readied for production at the present time and, indeed, with the gold price - cost relationship existing, prospectors have turned their attention to other metals and the financing of a gold mine today to development and production, would be a difficult task. The forecast future life of those still in operation, while arguable in the case of a small number of the mines listed, may not be



too far out of line on the average. Unless something happens in the near future to change the situation drastically, the vicious process of increasing costs in the face of a continuing fixed price for the metal, can only expedite the salvage processes at a number of properties.

It must not be lost sight of that a number of these mines have been operating for from forty to fifty years. They are getting deeper which means added costs beyond those developing from the inflationary period in which we live. While comparatively favourable rock temperatures and conditions in Ontario mines have permitted production in several at well below the eight thousand foot depth, there is a practical limit to this process also. Multiple handling of ore to raise it through the added distance, is, perhaps, an even greater deterrent to increasing depth than rock temperatures plus humidity.

Finally, while the payment of cost aid under the Emergency Gold Mining Assistance Act averaging over ten million dollars per annum for the past seven years has undoubtedly resulted in a substantial number of gold mines being kept in operation which would otherwise have been forced to close, an increased price to the producers for gold commensurate with the increase during recent years in the price of other metals, commodities and





products, including labour, would change the position of the gold mines overnight. Unless something of this kind does happen in the not too far distant future we would respectfully draw your attention to a problem of economics that governments will have on their hands, namely, the moving of whole communities as presently existing by reason of gold mining activity.

Several municipalities of the types referred to above exist in Ontario, one for example, Kirkland Lake, has, perhaps more than some others, remained a one-industry town. Since the discovery of gold there in Nineteen hundred and eleven the growth of the mines and of the number of mining employees steadily increased until the population of the town itself grew to twenty three thousand at the peak of the gold mining activity in Nineteen forty one. The falling price for gold and rising cost of labour and supplies has forced a decrease in the tonnage of ore being treated by many of the mines and decreased the number of men on the payrolls to twenty three hundred at present. The town population has, therefore, decreased to some eighteen thousand people presently and the business of retail stores, service units, taxi companies etc. has dropped commensurately.

If as and when progressive decrease in production takes place, the effect of cutting down even the annual payroll of some seven point five million dollars



and the value of mine purchases, partly local, amounting to some four million dollars, can be easily appreciated. The difficulty of dealing with the situation, however, is added to by the fact that being an old mining community as gold camps go, the average age of the local employees is over forty-five years.

As previously indicated, troubles due to close down would not be confined to the town itself. It is estimated, for example, that the farm population in the area immediately south of Kirkland Lake and largely dependent on this market, numbers five thousand people.

Turning now to silver mines, schedule eleven of our statistical summary shows that to the end of Nineteen fifty four - forty nine silver mines had operated profitably for an average period of six point twelve years. For most of these the book has been closed so to speak. A few are left which with the increase some few years ago in the price of silver, were encouraged to go back and make another try. A few others were encouraged through the presence in their own bodies of cobalt, mostly unwanted during the early Cobalt camp days but more recently in demand and the price in consequence materially increased.

To forecast the future life for most of these mines is impractical. Ore reserves are not usually developed far ahead of production. The ore is frequently in narrow, highgrade veins, the treatment plant is comparatively





simple and cheap, the production mostly stops at a concentrate which is shipped, in most cases, to a government plant for sampling and then to a custom smelter. In the early days of the Cobalt camp Nineteen hundred and five, which first saw the shipment of over two million ounces, through Nineteen hundred and eleven when over thirty million ounces was produced on to Nineteen hundred and twenty when production again dropped below ten million ounces, silver was a major factor in the prosperity of this province. While an upward swing in the price for the metal in recent years has, as indicated, encouraged a number of mines to go back, the production of the silver and the cobalt combined today is not of the same economic significance to the province as previously.

Silver mining, however, should not be set apart from the gold or base metal mining for purposes of consideration of the position of the industry at large. Another Cobalt would be just as helpful to Ontario economy as any other new mining camp of equivalent value.

Base Metals is the next subject -- while some general figures applicable to nickel-copper mines in Ontario and covering taxation (see schedule 14, 16 and Twenty-D) tons ore treated and sales value (16) have been included in our statistical record accompanying, the number of operations in nickel-copper and in iron ore are so few that averages and totals mean little except



for study purposes. It seems better in the circumstances to consider each one separately. The following data from published annual reports of the various companies is provided: Nickel-copper mines --firstly The International Nickel Company - this company and its predecessors commenced production of nickel, copper and precious metals in Eighteen Eighty Six. Operations in Nineteen fifty four were at peak levels. Deliveries of the chief metals were - nickel two hundred and eighty two million pounds, copper two hundred and fifty three million pounds, platinum metals, two hundred and sixty three thousand ounces troy, gold thirty seven thousand ounces troy, and silver one thousand one hundred and fifty three thousand ounces troy. The quantity of nickel delivered represented seventy per cent of the total free world supplies in that year. The tons of ore mined were fourteen point five million, capital expenditures on new and improved plant was twenty two point two million dollars. Ore reserves proven, as at December thirty first, Nineteen fifty four, was two hundred and sixty two million short tons, containing seven point nine million tons of nickel. Plus copper.

Secondly, with regard to Falconbridge Nickel Mines Limited. This company commenced production in Nineteen thirty and here again activities were at peak levels in Nineteen fifty four. Deliveries of its chief metals were, nickel - thirty nine million pounds, and copper - twenty two million pounds.





While this company also produced platinum metals, gold and silver, the report which shows the value of the total production, does not include details.

During Nineteen fifty four, ore mined and delivered for treatment was one point four million tons. Capital expenditure on new plant was twelve million dollars and ore reserves as at the end of Nineteen fifty four are shown as developed ore - fifteen point six million tons containing one point fifty eight per cent nickel and nought point eighty four per cent copper, indicated ore Sudbury district twenty million tons containing one point fifty nine per cent nickel, and nought point eighty one per cent copper.

Thirdly - referring to mines under development in the area - Nickel Offsets and Nickel Rim Mines both of which shipped ore and/or concentrates to Falconbridge for treatment, are properties in the Sudbury area under development.

And generally, within the limitation of the qualifying remarks with respect to the determination of ore reserves as included in the section of this part of the brief having to do with gold mines, the figures given would indicate that the future of the present main nickel-copper mines in the Province at the present rate of production is secure for some considerable number of years.

Next we turn to iron mines. As in the case of the nickel-copper mines, there are two main producers of



iron ore and two in early stages of production and development. Firstly, Algoma Ore Properties - the Helen Mine -- this company commenced production in Nineteen thirty nine as an open pit operation with a capacity of three hundred thousand tons of ore per annum: present capacity is six thousand tons per day to produce one point five million tons of highgrade sinter per annum. Nineteen fifty four production was one point one million tons of sinter all the ore coming from underground operations. Ore reserves as at December thirty first, Nineteen fifty four, were shown as eighty million tons plus a hundred and fifty million tons of magnetite ore indicated at Goulais and a hundred million tons of siderite ore of lower grade requiring beneficiation indicated at Johnson.

Secondly the Caland Ore Company Limited, where production - active preparation for which is underway, is projected to commence in Nineteen sixty at a rate of three million tons of ore per annum. The property to be mined by this company is owned by Steep Rock Iron Mines Limited. On the occasion of leasing it to Caland, Steep Rock in its Annual Report for the year ended December thirty first, Nineteen fifty four, stated that its engineers estimated that ore reserves and potentials of the property will support the three million tons per annum rate of production during the full ninety-nine year lease period.





Now thirdly, Marmoraton Mining Company Limited located near Marmora, Ontario, commenced production in April Nineteen fifty five at the rate of five hundred thousand tons of concentrate annually. An extensive drilling plan previously outlined a magnetic deposit estimated unofficially to contain eighteen million tons of ore.

And fourth, Steep Rock Iron Mines Limited, estimated shipments from this mine in Nineteen fifty four were one point one million tons of iron ore. Developments under way plan productive capacity from known and indicated ore bodies (exclusive of Caland) of five point five Million tons p.a. Ore reserves Hogarth - G zone and Errington) are "conservatively estimated" at one hundred and eighty six million tons per one thousand feet of depth. Ore is known to exist at twenty one hundred feet and is expected to persist to a much greater depth.

And lastly, an additional source of iron will soon become established as the result of a new process for the recovery of nickel and iron ore from nickeliferous pyrrhotite, successfully developed by the International Nickel Company. The first unit of the plant, built at a cost of nineteen million dollars, has now been virtually completed and trial operation of the equipment has begun. The plant is scheduled to go into commercial production in the near future, treating



one thousand tons of pyrrhotite concentrate daily. The premium grade product will contain more than sixty five per cent iron and less than two per cent silica.

The active preparation underway for production of iron ore from Ontario at the rate of eleven million tons per annum, provides a practical example of a drastic change in the Canadian economy brought about by mining development. In a brief submitted by the Association to the Natural Resources Committee of the Senate in Ottawa in Nineteen forty six, it was stated that by Nineteen forty three production of iron ore in Canada amounted to six hundred and forty thousand tons but that in the same year we had net imports of iron into Canada in the amount of three point nine million tons. Our imports exceeded production by nearly three point three million tons. By Nineteen forty six with production at one point five million tons, and net imports at one point one million tons Canadian production-consumption was about in balance.

By Nineteen fifty four production was at seven point three million tons against total imports of three million tons - and we had attained the position of an exporter of iron after our own rising requirements were fully met. In the case of iron, here again with the usual caution as to the use of ore reserve calculations, it would seem that the present iron mines in Ontario have every indication of reasonably long life.





Now turning to the possibility of finding and developing new mines - to a degree discussion of this subject involves a matter of opinion but some data are available which support conclusions that may be drawn.

There are two important aspects to the problem summed up in two simple words - availability and will. In other words, time, money and effort would be wasted searching for minerals in unfavourable ground. Again without the will to look for them - engendered by the usual motive in business, of winning a profit, the search for minerals will not go on.

Speaking of availability, most of Ontario is covered with a rock formation referred to by our geologists as the Precambrian Shield which has become known over the years and through experience, as a favourable host to deep seated mineral deposits. Since much prospecting over the years has preceded our present mining empire, the thought might arise that most of our mines have, in consequence, already been found. On the other hand, continuing extension of old mine areas as a result of new geological knowledge obtained following intensive underground development, is going forward. Note in this regard the rapid growth of the Sudbury area in the last few years. In addition, prospecting for ore bodies not readily found from surface indications, has been facilitated through recent extended use of the art



of geophysics, conducted on the ground and from the air. Thirty years ago, the Honourable Mr.Charles McCrea, one of Ontario's Ministers of Mines, with an abounding faith in the future of the industry, was wont to refer to the bounteous gifts of old mother nature - in the form of ore bodies - with which this province has been blessed. Perhaps even he, however, would have been surprised at the developments which have taken place since his time.

Orewise we should have no reason to fear the future and, perhaps, in this regard, might give thought to the words of another prophet of our time in the person of Senator, the Honourable Mr.T.A.Crerar, who when Minister of Mines in the Dominion Government in nineteen thirty six said "I see spread out over most of Quebec and Ontario, over more than two-thirds of Manitoba, over more than half of Saskatchewan and extending to the Arctic Seas, that rocky and lake bestrewn country that geologists call the Canadian shield. Here within this eighty five per cent of non-agricultural area, is Canada's metal-bearing empire, a domain that has as yet been far from fully explored in search for and development of mineral resources."

From the point of view of physical access of new ore bodies, the developments which have taken place in the last thirty years and even more so perhaps in the last ten years, we should have some assurance that the





growth of the industry in the next ten years will be as spectacular and as important as it has been in any period in our history. This conclusion might be emphasized by calling to mind the development of large ore bodies such as the copper-zinc-silver deposits of Manitouwadge and those of the uranium properties at Blind River and in the Peterborough areas which have not yet commenced to influence our production figures.

The mineral bearing possibilities of the Precambrian Shield are not limited to metals which have been known and used for many years, but encompass other metals which have through metallurgical development, become of interest. For example, in the early days of silver mining in Cobalt, the metal cobalt was not particularly sought for. As a matter of fact, the refiners penalized the silver producer if his proportion of cobalt to silver was too high. Metallurgical developments have, in the meantime, found new and broader uses for cobalt, and today some of these old mines are being opened up and operated again particularly for the purpose of obtaining cobalt.

In addition, the Atomic Age has raised a demand for immense quantities of uranium metals. Some of what appear to be the largest deposits in the world, have been found right here in Ontario. The Blind River area promises to become one of the largest tonnage areas in this field.



In Ontario generally government contracts to purchase concentrates to the value of four hundred and eighty million have already been issued to four mines as follows: Algom, two hundred and seven million dollars - Consolidated Dennison one hundred and eighty two million dollars and Pronto fifty five million dollars - totalling four hundred and forty four million dollars. That is in the Blind River area and Bi-croft thirty six million dollars in the Peterborough District.

It is estimated that the capital expenditures to bring the above four into production will be one hundred million dollars, and that an additional capital expenditure amounting to approximately seventy million dollars will be required for other producers contemplating production.

Mr. W. J. Bennett, president of Atomic Energy of Canada Limited, stated to the National Industrial Conference Board, that Canada's uranium production would occupy third place in gross value of metal production by end of Nineteen fifty eight and would probably amount to one hundred and eighty million dollars in that year.

Now as to ore reserves, while no official figures have been reported of the probable reserves in the Blind River basin area, it is a well-known fact that they will exceed one hundred million tons, of which only a quarter is covered by the above four contracts.





The will to search is, on the other hand, not entirely governed by availability. One ever present influence on progress is that the search for and the development of new mines is a costly risk and becoming more expensive as time goes on. Fifty years of mining in Ontario has provided some data that supports this statement. These show that for the period Nineteen hundred and four to Nineteen fifty three inclusive, one point fifty six per cent of the total metal mining companies incorporated or licenced in Ontario got into production and could be considered as having been economically successful up to the end of Nineteen fifty three. The same data also provided the information that up to the end of Nineteen fifty four the profitable productive life of all gold mining companies in Ontario has been twelve point nought two years, silver mines six point twelve years. To attain this record some four hundred and twenty thousand mining claims have been staked and recorded and some six thousand six hundred and seventy nine metal mining companies or syndicates had been incorporated.

Much of the capital for new mine development has, in the past, come from abroad. More and more, however in recent years it has been Canadian. Regardless of its origin, it is risk money and available only if the price is proportional to the risk, the economic



climate is favourable and the taxation is realistic and has due regard to the conditions. The statistical record of our mining development would seem to support the view that all these conditions are in great measure found here. Supporting this assumption, Mr.H. De Witt Smith, president of American Institute of Mining and Metallurgical Engineers, and concerned with the activities of one of the larger mining exploration companies in the United States, said at a meeting of the Canadian Institute of Mining and Metallurgy in Nineteen fifty five - and I quote: "My major premise is that the hazards of the mining industry are great enough without adding serious political hazards thereto, and that exploration activities should be concentrated in countries with favourable economic atmosphere. During the past thirty years, the major investments with which my group has been associated, aside from the United States, have all been in Canada, and the Union of South Africa, both of which countries are outstanding examples of the qualifications outlined above. Canada, in addition to its favourable economic atmosphere offers inducements in its taxation policy on profits of mining companies and on dividends paid resident shareholders more liberal than any other great mineral producer of the world."

We as Canadians, however, should not complacently accept the premise that the story of the last ten years will be repeated or ever bettered in the





next ten years. If we want to have this rate of development continued we as individuals and our governments, must take all necessary steps to ensure that the three requisites for orderly development of our mineral resources as outlined above, are maintained. It does seem obvious that the maintenance of these favourable conditions will continue to encourage risk capital such that a substantial rate of growth of the industry, within the limits of our potentialities will be ensured.

There are some measures that can be taken to encourage the finding and developing of new mines. The immense growth in the value of Canada's metal production from its mines, forty two million dollars in Nineteen hundred and seven to seven hundred and sixty three million dollars in Nineteen fifty four, has not come about simply because the ore was available. The remarks previously quoted of Mr. De Witt Smith point up this statement. Canada and its Provinces have had stability of government and security thereby to capital coming into the country from abroad and seeking investment. Canada too, and the Provinces as a whole have had due regard to the risks entailed in the search for and development of mines and the limited life span of the operations. Provisions for realistic depletion allowance on taxation, non-taxation of capital gains, freedom from income tax for the first three years



of a new mine's productive life and the important permissible deduction from taxable income of expenditures made for mining exploration and development, have encouraged in no small part, the entry from abroad of many millions of dollars into this business.

In the Provinces the legislation and regulations under which potential mining ground is made available to the prospector and developer, while not uniform throughout the various jurisdictions, meets in each case the necessity of protection to the people of Canada who own the ground and at the same time the procedure does not involve undue delays and hardships to the prospector.

During recent years there have been instances from which it might appear that large earnings in the hands of a few mining companies attracted the tax collector to an extent endangering the maintenance of sound policies. The decrease in the depletion allowance below the fifty per cent to companies and shareholders alike, since corrected in part for the base metal mines and in greater part for the gold mines and the gold tax since repealed, are indications of this trend.

More recently, probably through an oversight, failure to adjust the relationship between the provincial mining tax and the Dominion income tax with the Dominion Government prior to entering the tax sale





agreement, brought about a form of double taxation to the mines. Generally speaking, however, conditions governing mining in Canada, including Ontario for which we speak, has been such as to encourage the rapid and substantial growth of the industry. No one would, we believe, deny the immense development that has taken place, nor, in the light of its importance, its value as an asset - a National asset. That it should be maintained and its growth continued to the fullest extent possible, seems obvious.

We submit that the surest way to obtain these added benefits for Canada as a whole, is to jealously guard those policies and their implementation in legislation and regulation whose worth has already been proven for the last fifty years.

And in conclusion, may we add a thought on a subject on which we are no experts but in which we have some interest. We believe, with others who have made representations to you, that the development of secondary industry in Canada to process further the raw materials from our mines and other natural resources, would be of inestimable value to this country.

We express the view that the practice of encouragement to private enterprise willing to enter the market of processing of our natural resources in the form of special depreciation write-offs, depletion allowances and/or exemption from income tax for a period



of years, as applicable to the mining industry itself and which has already demonstrated its value as an aid in that development, would be the most logical method of bringing about an orderly growth of the secondary industry and the most likely therefore to succeed.

Mr. Chairman, may we thank you for having given us the opportunity to make this presentation to you. We trust that it may be of some assistance in furthering your serious and important deliberations. We might only add that should points arise on which you think we or any of our members can be of further assistance to you, we freely offer our service.

THE CHAIRMAN : Thank you very much  
Mr. Fotheringham and Mr. Beattie.

MR. STEWART : While I know all about the "black gold" of the Province I come from, I don't know too much about the mining industry of the Province of Ontario -- however, there are one or two questions I would like to get your present views on -- we frequently hear it said that the mining industry gets substantial tax concessions - is this a correct description of the situation ?

MR. PARKINSON : Well Mr. Chairman and gentlemen -- I think most of the matters with which you are concerned have already been referred to by Mr. Beattie - in the last part of the brief - and there is





a special provision in mining that is not common in other industry called a depletion allowance. In other words the mining industry is like some others-- some few others - alone in one respect -- where it is concerned with production from an ore which disappears. You can't replace it -- in farming you can re-plant or seed and grow again. In fishing you can even put some fish back after you have taken it out - and so on. It is alone in that regard, except for oil and gas - of course they are in the same position, but I look upon them as the mining industry too. So that recognition by government is that taxation then should be based on the premise whereby you are putting your money in to develop a mine and produce from it and what you get back is a combination of return on capital during the lifetime of the mine plus whatever earnings you may make, from developing the product.

The average life of the gold mines of Ontario from the time you take over the mine is twelve years. Silver mine is six years. Thus you must get your capital together in twelve years plus whatever earnings - if any - or they don't come into your possession again. So that is the position with regard to depletion allowances - there is not much difference otherwise - you will find in any other industry there is a schedule and you go on schedule in the rates at



which you give depreciation - depending on the type of article or goods or materials or machinery used.

Some things wear out faster - if you are using a shovel it has a certain life and it goes after use.

Heavy machines may last for a much longer period of time and so on - so therefore gentlemen, I think the chief thing is the depletion allowance.

MR. STEWART : What is the deduction from dividend income Mr. Parkinson ?

MR. PARKINSON : That again is a carry on of depletion allowance - allowed to the company - to the shareholder in other words, - if there was a single tax - if you didn't have any company tax but you simply had a tax on dividends, the shareholder himself should get recognition but when you have a tax on the company, then again a tax on the shareholder - a tax on what the shareholder gets back -- which is a combination of capital return plus income, that is recognized also in depletion allowance on dividend for mines.

That is common with all mines. However, Mr.

Fotheringham has just brought my attention to another special provision in mining - I think also it applies to an extent to oil wells, but I am not sure of that -- but as encouragement to people to look for new mines - started during the war and applied first to metals of strategic significance, the Government set up a provision whereby any mine or any company that brought





a new mine into production, was relieved from income tax for the first three years of their productive life. That has been carried on since for all mines -- for the first three years of productive life there is no income tax paid. That gives them a chance to get some of their equipment and so on -- before they start with paying taxes -- but the shareholder has no relief for that.

MR. STEWART : I was wondering - looking at page eighteen - where you are referring to prospects -- there is a good deal of evidence that there would be a very strong demand for metals generally over the period that we are concerned with -- I think perhaps I know the answer to this, but would you think under those conditions it may be possible to get along without some of these tax arrangements?

MR. PARKINSON: - Well if you want my personal opinion sir, I am not speaking for the Association, although I think I know what their answer might be --- I can only say this, I think you are looking at it from the point of view that was not responsible for the setting-up of these provisions, in other words, these provisions are particularly designed as I see them, to encourage people to risk more money in looking for new mines. If you recall Mr. De Witt Smith's remark on that subject - people won't go in and chance their money - it is too risky a



business. It is a question of "do you want new mines or don't you?" And if you do, make the atmosphere encouraging to the people to go in and put their money in.

MR. STEWART : That certainly is a factor, yes.

MR. PARKINSON: Yes, quite so.

MR. STEWART : The question I think, is basically the rate of development; one would expect that if the demand itself built up quite strongly, that would provide in itself a stimulus and inducement there - through price, which might eliminate some of the necessity for these things ?

MR. PARKINSON : Well --

MR. STEWART : Isn't that right ?

MR. PARKINSON ; It is like going to a horse race - you risk one or two dollars if you have a chance to get a ten dollar bill back - but you won't risk your two dollars if you get nothing but a dollar eighty all the time.

MR. STEWART : Am I correct in believing that the government buys all the gold ?

MR. BEATTIE : Yes there is a provision whereby the Royal Mint in Ottawa will purchase all gold produced in Canada - of recent years there has been some relaxation given to the industry and they are now permitted to sell on a limited market outside the country





-- not to people inside the country but to outside countries, such as France and so on.

MR. STEWART : How is the price determined in those cases ?

MR. BEATTIE : The price which the Mint in Ottawa pays is the Canadian equivalent of thirty five dollars - U. S. Board ounce - and the price that any shipper receives for gold sold abroad is the market price in that particular spot at the time of sale - which of recent times has been not too much -- I believe it is thirty five dollars- around that mark. There is one point too - that most of the gold mines today are shipping their total production to the Mint and the reason for that is that only by so doing do they qualify for assistance under the Emergency Gold Assistance Act, which does provide assistance to those gold mines whose production is at least seventy per cent gold and who find difficulty in operating without some aid.

MR. STEWART : And then what happens to the gold purchased by the Mint ?

MR. BEATTIE ; Fortunately I would say, the Canadian Government have seen fit to hold most of that gold in their vaults. I believe that since early Nineteen hundred and fifty, at least, that they have held pretty well all the gold that has come to them - either shipped by Canadian producers or which



they have gotten through deals themselves. So that their holdings of gold have increased from some three hundred and fifty million in about Nineteen fortyone up to, I believe it is, over one point two billion today.

MR. STEWART : What is the government's purpose in holding the gold ?

MR. BEATTIE : I would say sir that they expect to repeat a benefit by so doing - to hold gold or keep building up their supplies, they must feel they are going to profit by so doing.

MR. STEWART : By sale ?

MR. BEATTIE : Not necessarily.

MR. STEWART : Well what I am getting at is the basis on which we determine the amounts of gold that we want. There must be some rationale to this whole situation. How much gold do we want - what is the basis of determining these things?

MR. BEATTIE : My personal opinion sir, is that there is no likely limit to what a nation would like to have in their vaults today. I think each of the nations in the world would welcome considerably more than they now hold.

MR. STEWART : I know that it could be useful for reserves - for exchange purposes - but I don't know how you determine the amount that we want in the vaults for that purpose. However - referring





to the problem of moving communities - I quite appreciate what a difficult issue this is; I presume that we have to expect the government to do these things, or at least to take part in these transfers - I am thinking of the coal mining situation in Alberta where a very considerable amount of this has been done in fact, by re-training. Now, I think that the assistance that has been given has been to the extent of ten million dollars within the last seven years. That is about one million four hundred thousand dollars a year. That would make a substantial contribution to increasing the mobility of people, would it not ?

MR. BEATTIE : Well respecting the old gold mining communities that are referred to in our brief my own personal opinion is that it would be a sad day indeed if that day arrives when such is necessary.

MR. STEWART : Your feeling is that the situation will just have to be stabilized then; that is all there is to it ?

MR. BEATTIE : I would hope it would be - one way or the other sir.

MR. GRAUER : The Canadian Metal Mining Association this morning appeared before the Commission and Mr. Wansbrough stated that about one million square miles of Canada is potentially favourable for prospecting but that only some twenty per cent had yet been closely prospected by geological map. So that, the situation



in Ontario will be quite different from that generalization. Could you let us know just about what the situation is, here ?

MR. PARKINSON : I don't think we have worked out any figures along those lines, but I think we would be very glad to, if you are interested in having those figures. However, speaking generally in answer to the question about the amount of quick geological exploration and the amount of mapping in Ontario, it is probably greater in proportion, than in most other Provinces - but I don't even know that. However, if you care to have the figures we will be glad to provide them.

MR. GRAUER : We would be interested.

MR. PARKINSON : We haven't got them now but I will look up the Statement of the Canadian Metal Mining Association and try and give you the Ontario figures for that.

MR. GRAUER : Thank you --- in several places we have been hearing that the question of roads has been quite prominent with mining people. What is the situation in Ontario in respect to roads ?

MR. BEATTIE : I believe, if I may speak personally - and I probably speak for more than myself - I won't say it is Association policy, but personally I can say that I feel that more of the access type roads should be provided in some of the more likely





prospecting areas. We have some areas for instance, at the south-west - from the Porcupine area around Timmins - where, through the Chamber of Commerce, we are endeavouring to have roads continued - feeling that it will give greater incentive to the prospector to do that detail work which even now does still find mines.

MR. GRAUER : It is a reasonably important problem here too then - the problem of access roads ?

MR. BEATTIE : I feel it is. There are some of the areas - for instance around Porcupine - where we believe we have considerable possibilities but they are very poorly serviced with roads.

MR. GRAUER : They are recommended towards the end of the brief - in regard to policy --

MR. FOTHERINGHAM : It varies sir - somewhat, depending on the physical nature of the area. The area to which Mr. Beattie has referred is one, I think, which is not easily travelled by water in some instances -- other places in North Western Ontario can be fairly well covered without any provision for roads at all, and there are others in that section North of Lake Superior - that again, are like the type that Mr. Beattie refers to. I think there is still standing some joint Provincial-Federal legislation under which the Dominion Government will



contribute fifty per cent to the basic mining roads but I know of none that have been built on that basis for many years.

MR. PARKINSON: I think the only arrangement existing covers trunk roads - not mining roads.

THE CHAIRMAN : If Mr. Grauer will let me interrupt for a minute, Mr. Ambridge this morning, told us that the pulp and paper industry can never get a road, but any time the mines want a road the government will build it for them. Would you completely agree with Mr. Ambridge on that statement - I think I may have made it even more forceful than he did.

MR. BEATTIE : I may say that the area we are concerned with is an area where there are concessions to the pulp and paper people.

THE CHAIRMAN: Oh - it is a selective need then ?

MR. JOUBIN : We have recently, and still are undergoing this experience with roads and moving of communities - when I say we, I refer specifically to the developers of uranium mines in the Algom - district. As you know, the developments there date back to Nineteen fifty three, actually when the work started, and we have found the Ontario authorities reluctant to help. However, after the





enjoyment of early success, when the same authorities could be convinced that we would meet with some measure of return - they have become co-operative through the Provincial Department of Mines, by means of what they call the Mining Roads Access Fund. That is our actual experience -- so that we have had to build thirty miles of trunk road at a cost to the companies of three hundred thousand dollars, to which the Mining Roads Access Fund, contributed sixty thousand dollars. That assistance came, I must admit, early enough to be of very considerable help to us with the development in that field over the last two years, and the establishing of a number of very considerable producers, the proving up of in excess of one billion dollars worth of uranium ore. We found the Ontario Department of Highways quite ready to provide us with a highway and only in recent weeks in fact -- the last two weeks - were the final tenders awarded for a highway to cost in excess of two million dollars. The first questioner mentioned the problem of moving communities or at least - the moving of the gold mining communities - in this same district. We are now faced with the development or rejuvenation of an old community in the Blind River area and an entire people - an entirely new community with a population estimated at fifteen thousand, in Elliot Lake.



Fortunately the Algom - district is quite accessible to other mining centres - notably Ontario's more important gold mining districts and we have quite a movement of men skilled in mining out of the old gold mining camps and into our new district, suggesting possibly that if the gold mining camps continue to languish and the uranium camps develop - there may be something in the way of a natural and easy transition.

MR. GRAUER : At the very end of the brief where you express the view that the processing of natural resources should be encouraged within Canada - was that from the point of view of the benefits to the mining industry or is that simply an expression in general for Canada as a whole ?

MR. FOTHERINGHAM : It was intended to be the latter sir.

MR. GRAUER : Do you have any specific examples in mind of the sort of thing you think could be done ?

MR. FOTHERINGHAM : I think, this is again a personal opinion and the Association as a group may feel differently, in which event we will advise you further after the hearing, but it seems to me, and we have been giving it consideration at Steep Rock, because we frequently hear it said that we shouldn't be hewers of wood and drawers of water and should sit





back and wait until we have a million people before we do anything. Partly I suppose from a selfish standpoint, but I don't think entirely so, we don't agree with that expression of opinion at all - we think as long as the projects are properly developed and wisely sized with relation to the continuity of life of the community, if it is designed to do so, it would be most indiscreet to go in and grind out all the ore body in a period of five or ten years, but rather carry it out over a continuing period of time, and then the economical impact of the draw or production - wherever it is sold among friendly countries - surely is helping to develop the whole country and to create a desirable atmosphere for the enlargement of the population by immigration and so on.

MR. GRAUER : If your Association would like to consider specific recommendations under that heading based upon your experience, we would be glad to have them - I am not suggesting that you do it right now but at a later date - if you would?

MR. FOTHERINGHAM : We would be very glad to do so .

MR. GUSHUE : Very much on that same point, I was wondering on what grounds you think that a secondary industry would be justified in having special treatment - which is what is asked for - as against any other secondary industry.



Do you regard this processing industry as a case where you have your raw material and you apparently take that raw material out, in the mining industry, and bring it to a secondary stage where you suggest special provisions for depreciation, depletion allowances or exemption from income tax, which would not apply to any other secondary industry; could you explain that to us - just how that could be justified in your thinking?

MR. PARKINSON : Our Association

I think, in our representations sir, takes the general view that development of secondary industries to process our own natural products, would be of general advantage to Canada, in that you would get a second step on employment and through that, a still higher priced product, of course. For instance if you take a country like Australia which has immense values in iron ore available and immense tonnages of coal available - and all located close to the coast, there is a country that is more or less isolated from others insofar as road trade is concerned, with higher freight rates in relation to shipping to other countries. They have been forced to develop their own iron and steel industry and their own copper, including copper tubing, copper wire and piping and so on -- to produce their own requirements, because of the difficult situation they face in importing those things, that is, the





expense of importing those requirements from other countries when they have iron ore and they have coal. We are in a different position, we have close at hand one of the biggest manufacturing countries in the world and our brief, I think, starts out to point out that we are not experts in this field, but we believe that private enterprise can find the place where it can - advantageously to itself - it must be to itself and therefore to the rest of Canada -- step in and produce or set up a secondary industry to utilize our own raw materials which we produce here and export. That is our suggestion - we have no specific things in mind sir, at this time and I don't know that we would be competent to sit down and suggest specific things.

The feeling was that "here is a big field for a secondary industry open to somebody - now leave it up to private enterprise - they will come in and find where, if you make the atmosphere attractive to them, to use the natural resources."

MR. GUSHUE : You are not limiting this to the mining industry ?

MR. PARKINSON : No - no - the natural resources are there and now develop them - they are to be developed. We wouldn't know; but I think smart business people here - or maybe in other countries - might see the field here and come up and develop the Industries for you.



THE CHAIRMAN: Thank you very much indeed gentlemen - this discussion has been very helpful and very interesting.

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Recess  
After recess

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THE CHAIRMAN: Can we come to order gentlemen? Mr. Roscoe, the Vice President of Noranda Mines Limited, will present the next submission, which I will mark Exhibit No. 131 for the record. Would you like to start now Mr. Roscoe ?

MR. ROSCOE : Mr. Chairman and Gentlemen, I have read the briefs being presented to your Commission by the Canadian Metal Mining Association and the Ontario Mining Association and also those on three separate subjects prepared by other officials of Noranda Mines Limited. These briefs have covered the subjects of present and future supply of metals and minerals in Canada so adequately as to leave little room for comments of mine; however, I have been occupied for many years with the mining and treatment of base metal ores - principally copper and zinc and also with the search for such ores - so perhaps I could make some brief personal observations particularly with regard to copper, that might be of interest.

I presume that an opinion expressed by an Association or a company represents a composite of





the opinion of many informed persons and I realize that my opinion may be in variance with that composite. With that understanding as to its value, I give you herein my estimate of the probable quantities of metals that will be required to feed Canada's industries twenty five years hence.

As to copper I consider that the annual per capita consumption in Nineteen eighty, will be about eighteen pounds. I base this on the fact that the per capita consumption in the United States has remained fairly constant at that rate for twenty years or more - so I believe that this figure represents about the maximum that can be expected for a highly developed industrial nation. I further believe that our population will increase at an average rate of one and three quarters per cent per year, and will therefore be about twenty four millions in Nineteen hundred and eighty. Consequently the copper consumption can be expected to increase from the present one hundred and thirty eight thousand tons to two hundred and fifteen thousand tons per year in Nineteen Eighty or in other words, in twenty five years.

The future supply of copper from Canadian mines is less assured than that of zinc, lead and iron. Unfortunately, the probable supply of all metals and minerals twenty five years hence does not lend itself



to mathematical calculation. It can only be a matter of opinion; the copper production last year was about three hundred and twenty five thousand tons. This is about thirty per cent more than the average for the past two years. There is reason to believe that the stimulus of the present realistic price of copper will result in some further increases in the Canadian production during the next few years but, for the long term, I feel sure it will be necessary to continue a sustained search for new copper deposits in order to maintain present production because ore reserves of the mines presently operating are being heavily drawn upon to meet the ever increasing world demand. This continued search for new mines can only be maintained by the continuance of the present favourable economic atmosphere and tax policies of the Federal and Provincial Governments.

As to zinc and lead, I would not care to make such a definite estimate of future requirements, as I have with regard to copper, but, by using a similar yardstick - i. e. per capita- consumption in the United States, of these metals, I find that some one hundred and forty thousand tons of zinc and one hundred and twenty thousand tons of lead will be required to supply Canadian needs in the year Nineteen forty. Present consumption is about fifty thousand tons of zinc and fifty five thousand tons of lead. While close estimates of reserves





of zinc and lead ores are not available, there is little doubt gentlemen, in my mind, that the indicated reserves are adequate to ensure sufficient metal for our own needs twenty five years hence - and also to permit the continued export of large quantities of those metals in the intervening years.

As to iron ore, I have calculated that the maximum consumption that could be expected in Canada in Nineteen hundred and eighty would be in the order of seventeen million, five hundred thousand tons and I think there is every reason to believe that the annual Canadian production at that date will be twice that amount.

In view of the above figures, I think that with a continuance of the policies designed to encourage the investment of risk capital in mining ventures we have no reason to be concerned as to the ability of the mining industry of Canada to supply the metals required to support for many years a highly industrialized economy at home and still have metal to export in exchange for needed imports. This situation is very gratifying when contrasted with that of our neighbour to the South which was disclosed by the Paley Report made in Nineteen fifty two.

In conclusion, I wish to express my appreciation at being permitted to submit these observations.



I have tried to cover a lot of ground as briefly as possible and if in doing so I have left some questions in your minds as to the meaning of some references, I shall be pleased to try and answer them now or at some later time.

THE CHAIRMAN : Thank you Mr. Roscoe.

I suppose these estimates on the demand side, as far as Canada is concerned, are relatively less important than the export demand ?

MR. ROSCOE: Yes.

THE CHAIRMAN: It is the export demand that will really in all probability determine the size and extent of the mining industry in Canada over the next twenty five years.

MR. ROSCOE : Yes I think that is correct - world demand.

THE CHAIRMAN: Yes, that is what I mean.

MR. ROSCOE : Well world demand for copper has been increasing at the rate of about two per cent per annum for many years and I don't expect it would continue at that rate into the future - in fact I think the Paley Report prophesied that the United States consumption of copper would increase at the rate of about one per cent per annum from Nineteen fifty three to Nineteen seventy five, but I think that the world consumption would increase faster, because the





European countries and Asiatic countries today have a lot of room for increased consumption, as their consumption instead of being Eighteen pounds per capita is between four and six or seven pounds and as a matter of fact, in the last four years, the consumption in the United Kingdom, France and Germany has increased at a much greater rate than has consumption in the United States. I think in the United States you could assume that the per capita consumption will not increase, but the total consumption will increase more or less with the increased population.

MR. GRAUER : You say that a consistent search for copper deposits is necessary - based upon your experience so far, are you reasonably optimistic about results there ?

MR. ROSCOE: Yes I am, but they certainly require a lot of looking for. We have had periods where no important copper discoveries have been found in Canada for maybe ten years and then, suddenly, there will be a rash of discoveries all over the country. However, in my own opinion, there is no district in Canada that has been developed so far, with the possible exception of the copper and nickel ores of Sudbury, that is comparable to those that have been discovered periodically in the United States; first it was Michigan and then it was Montana around Butte, and then there was Arizona and then it was Utah -- all those cases where a new camp was



opened up - the tonnages were enormous.

MR. GRAUER : Is there any reason why there should not be one or more such discoveries in Canada ?

MR. ROSCOE : No, but we have been looking for them for fifty years and we haven't found them yet. That is, nothing to compare to say Bute district, or even the Michigan district, which is pretty well finished now.

THE CHAIRMAN: Mr. Roscoe, we have heard a great deal about this question of further processing of our resources in this country; your own company has gone further in that direction I suppose through its subsidiary companies and associated companies, than a good many others. Are there any other areas that you can think of where you think there is a practicable possibility of further processing in this country ?

MR. ROSCOE : Well I suppose in the broad sense if we are not going to be hewers of wood and carriers of water, we have got to develop our secondary industries, but I wouldn't want to name any industry that I think should be specially favoured.

THE CHAIRMAN : Thank you very much Mr. Roscoe - I would just like to take this opportunity to thank your company - through you - for the help that you have been to the Research Staff of this Commission and for the additional help that I suspect we are going to ask you for before we are finished.





THE CHAIRMAN - Mr. Connell would you like to take over now? I think before you start Mr. Connell Mr. Lussier, Mr. Grauer and I would like to thank you particularly for the wonderful way you looked after us, and I would like to include Mr. LePan in this, when we were visiting your mine in United Keno; Dr. Stewart and Dr. Gushue, who unfortunately couldn't come with us --- we think they missed a lot.

MR. CONNELL - I am sure they did.

THE CHAIRMAN - We will mark your Exhibit Number 132.

MR. CONNELL - Mr. Chairman and Gentlemen. I thank you for this opportunity to present my views on some of the aspects of the mining industry in Canada. You have already received several submissions dealing with the general condition of the Mining Industry and the following remarks will deal only with the question of exploring and developing the mineral resources of the more remote parts of Canada and particularly the Northern latitudes, most of which is relatively unexplored but geologically favourable prospecting ground, which probably contain a large part of the mineral wealth of the future. I want to emphasize that last sentence - contain a large part of the mineral wealth of the future. Today mine development in the area is necessarily limited to



very high grade deposits located in its fringes or near some established transportation system and the search for ore is limited to high grade deposits that are accessible.

Development of these vast areas is practically totally dependent upon development by the mining industry. Encouragement to capital to explore for and develop mineral resources in the areas will be the most effective means of developing the country and adding its potential resources to Canada's industrial expansion.

Two important proposals for this purpose are: First - policy of constructing and maintaining roads to provide access to mining developments. Second - extension of the exemption from taxation under the Income Tax Act for a period of three years now applicable to all new mines to ten or more years for mines brought into production in remote areas. With respect to the second of these, the following brief was submitted to the Minister, Department of Resources and Development, dated November 10, 1952, as follows:

"I am enclosing Federal Map 900A Second Edition. You will note that north of the 57th degree parallel of latitude comprises the northern portion of British Columbia, Alberta, Manitoba, Saskatchewan, Ontario, Quebec and Labrador, Yukon Territory and the





Northwest Territories. In this vast area there is no agriculture or timber and the only natural resource is mineral. The entire area is favourable to the discovery of mineral deposits. Important discoveries have already been made, the gold mines at Yellowknife, uranium at Port Radium and Gold Fields, lead, silver and zinc in the Mayo Mining District of the Yukon Territory, asbestos deposits in Northern British Columbia and oil at Norman Wells. An important deterrent to the establishment of more mines in this vast area is the high cost of exploration and development of mining. Weather conditions of the area make it necessary to concentrate the search in two or three months of the summer. To carry out exploration on any substantial scale requires very expensive organization and equipment.

"Having discovered a mineral deposit, the lack of transportation facilities the great distance between the mines and the main industrial centres, severe climatic conditions and general isolation, result in a very high construction and operating cost. In order to attract suitable workmen, higher rates of labour have to be paid to compensate for living conditions in isolated areas.

"The purpose of this brief is to show how a revision in the Income Tax Act to exempt for a



period of a minimum of ten years the profit of any mine brought into production and located north of the 57th parallel, would encourage a search for minerals and the development of the mining industry in this vast area.

"In order to attract the necessary capital there must be an advantage to be gained that cannot be anticipated in shorter and less hazardous risks. This is, of course, provided in part by the possibilities of important discoveries offered by the relatively unexplored areas which lie north of the 57th parallel. The proposed period of exemption would be of the greatest assistance to making this encouragement effective by giving the risk investors the time in which to establish their investment. Experience indicates that the normal pattern in the financing of projects of this nature is to provide sufficient 'paid in' capital to reach an initial production on a scale that will thoroughly test the operating possibilities of the property and thereafter to use revenue from the operation to provide such expansion of the operations as is warranted.

"Housing, hospitals, schools and recreation become the responsibility of the mine in these new areas. Even the simplest facilities taken for granted in the established community must be planned and paid





for by the mine. Few investors are willing to provide sufficient capital for all the necessary development, but are willing to postpone their claim to a return on a much smaller original investment to enable the mine to be developed out of initial earnings.

"The effect of bringing new mines into production is directly felt by the public treasury long before any profits are available for taxation. The new mine through its payroll immediately contributes new income tax revenue by way of payroll deductions by providing new employment for labour. As a new market for manufactured goods and agricultural products, revenue is provided through sales tax and customs duties. Establishment of services in a new mining area provides new employment and new income to those providing such service.

"The risks involved in the financing of exploration and development of new mines is well recognized. The Income Tax Act now exempts from taxation under the Act the profits realized from the first three years of commercial production; this provision has worked very well in encouraging and helping the development of the new mines in Canada, but the encouragement is inadequate to induce exploration and development in the more isolated parts of this country, particularly those vast areas lying north of



the 57th parallel. It is therefore, recommended that the provisions of the exempting section be extended to a period of a minimum of ten years, with respect to mines brought into production in the area described.

"Attached hereto are financial statements showing a summary of the receipts and disbursements of United Keno Hill Mines Limited, operating in the Yukon Territory, and the Giant Yellowknife Gold Mines Limited operating in the Northwest Territories.

"You will note that the former company was incorporated on the 6th of November, 1945. In the seven years since that time no dividends have been paid to the shareholders, the company still owes five hundred thousand dollars on mortgage, and the main operation, the Hector Mine, is now in the income tax bracket. Further expansion of the operations will necessarily be curtailed.

"The Giant Yellowknife, you will note, was incorporated in 1937, fifteen years ago. They have no working capital and have expended twenty-one million four hundred and sixty-nine thousand dollars. In other words, shareholders have been holding the stock for fifteen years without return on their capital.

"These two companies illustrate the importance of mine development in the area as an important source of markets both for labour, general supplies





and services."

In my opinion the arguments advanced therein are still valid and pertinent to the problem.

The construction of truck roads or railroads into mining areas that have demonstrated the existence of ore in reasonable quantity, is essential to the development of any mines that may be found. Invariably construction of a road by making new areas accessible, encourages prospecting along its length as well as increased development activity in the area tapped by the road.

Before new mines can be found it is necessary that there be means of access to the favourable areas of search to permit carrying out adequate exploration. Initial access by air or water where available is helpful. Maintenance and improvement of existing roads and trails and the construction of new trails through the known geologically favourable zones would be of great assistance in encouraging the search for new mines in the undeveloped parts of Canada. A policy offering reasonable assurance of future transportation facilities to new areas when mineral discovery warrants would undoubtedly encourage more risk capital to seek new mines in areas not now accessible, but which could be made accessible.

Construction and maintenance of roads



should be undertaken by the Government owning the mineral rights as part of its contribution to the development of the resources. Where the areas concerned lie within the boundaries of the Provinces, the Federal Government should aid road development. The benefits arising from the new employment directly and indirectly, extend to all parts of the Country. The Federal Treasury in particular is enriched by taxes provided by payrolls and increased profits of those who service or supply the operation, as well as taxes levied on the operation itself.

I would like to read one paragraph of a letter dated the 9th of December, 1952, addressed to The Honourable R. H. Winters, Minister Resources and Development at Ottawa and I quote:

"I have been active in exploration and prospecting in Canada for many years and have been actively associated with some of the important mining developments. Out of this experience I am submitting this proposal as a means to stimulate the search for and development of mineral resources which undoubtedly exist in this vast area of our country as yet relatively unexplored and awaiting development. I believe the adoption of such a policy would be immediately reflected in renewed exploration effort and the new mines that would result would offset many times





the exemption proposed."

THE CHAIRMAN - Thank you very much Mr. Connell. I notice in the first paragraph of your Brief there is a sentence where you emphasize that in your opinion the areas of the North probably contain a large part of the mineral wealth of the future and I assume that this was a considered opinion on the basis of your experience for a great many years.

MR. CONNELL - Yes, that is my considered opinion. I think there are vast areas in the North that are still wide-open for prospecting with a good chance of success, especially in the Northwest Territory, the Yukon Territories, particularly in the northern part of the Provinces of British Columbia and Saskatchewan and Alberta.

MR. GRAUER - Is the matter of a new smelter at Tidewater on the Pacific an urgent question in your opinion?

MR. CONNELL - I don't think so at the present time. For example, copper ore possibility -- as far as we are concerned in particular lead -- lead is a high grade concentrate and is travelling towards the market. In other words, I think about seventy-four per cent is lead and on its way to the markets in the East.

MR. GRAUER - Does it go by rail from Trail



or does it go back to the Coast?

MR. CONNELL - From the mine it goes by truck to Whitehorse and rail to Scagway and from Scagway to Vancouver by steamship and Vancouver to Trail by railroad.

MR. GRAUER - Does it go back to the Coast and go by ship again?

MR. CONNELL - No. That is just shipped by rail to the East.

MR. GRAUER - By rail?

MR. CONNELL - Yes. As a matter of interest as regards costs, we sold last year for example, nine million five hundred and forty-nine thousand dollars worth of concentrate and we have paid in smelting charges, freight and market charges, two million two hundred and thirty-seven thousand dollars, which is approximately twenty-five per cent. So that is what is left net to the mine you see and that which presently goes to the benefit of the southern part of Canada goes into transportation and smelting and refining of materials that are produced in the far North.

MR. GRAUER - Are there any indicated important ore deposits in the Yukon now which would be developed?

MR. CONNELL - There are a few odd places





that have possibilities but they are very inaccessible at the present time, but there are indications of two or three important locations. It will, however, take possibly a year or two to prove their value, or prove their worth.

MR. GUSHUE - I notice the letter in your brief, Mr. Connell, is dated December the 9th, 1952. Is there anything of interest to report since?

MR. CONNELL - That is a matter I wanted to mention. I haven't changed my mind since or my ideas with regard to exemption since because I started in 1952 to bring this forward to the Minister of Resources.

MR. GUSHUE - But you have no action to report - no progress to report as to what happened.

MR. CONNELL - Yes we have in our general lineup here but I haven't changed my ideas.

MR. GUSHUE - No I mean with regard to the submission to the Minister - anything that has happened.

MR. CONNELL - Oh no, no, except a certain amount of sympathy to the idea.

THE CHAIRMAN - And all over the country it is known as the Connell Plan.

MR. CONNELL - Yes, I think it is an excellent plan, because when you operate in that part



of the country you are operating in a very remote part of the world, but I think it is all possible to develop.

THE CHAIRMAN - Thank you very much Mr. Connell, we are extremely grateful for your kindness to us.

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THE CHAIRMAN - The next submission is from Aeromagnetic Surveys Limited and we will mark this submission 133 for the record and I understand Mr. Scott will be presenting that to us. Now, Mr. Scott, if you are ready?

MR. SCOTT - Mr. Chairman and Gentlemen of the commission. Mr. Douglas Kendall who was going to present the brief to you today is in England and is therefore unable to be here and I am acting as his voice today.

THE CHAIRMAN - Thank you.

MR. SCOTT - The title of this brief Gentlemen is "the Effect of Geophysics on the Rate of Mineral Discovery" and if I might make a comment upon this, I would like to warn you this is by no means a general review of the geophysical industry of Canada but it hits on a few very important points that concern the future development and continuation of development of the mineral industry in Canada.

The world requirement for minerals of all





types is expanding, for both population and technical reasons, at a rate in excess of five per cent per annum. This rate could well increase and this appears to be the trend. The U.S. Paley Report shows that this rate of increase applies also to the United States.

To take one example only, the U.S.A. is currently producing steel at a rate of at least one hundred and ten million tons per annum. Plans for expansion of steel production have recently been announced. Even allowing for salvage through scrap, this means that the U.S.A. alone consumes about one hundred and twenty million tons of iron ore per annum. This should soon rise to one hundred and fifty million tons.

In Labrador, Quebec the Iron Ore Company of Canada has slightly more than four hundred million tons of proven iron ore. This is, rightly, considered a major deposit. However its proven ore is only equal to a little more than three years' consumption for the U.S. steel industry.

The obvious first conclusion is that new iron ore deposits of the size of Labrador must be found every two to three years if the known reserves in North America are not to be depleted. The second obvious conclusion is that ore reserves are finite. Furthermore they have little value as potential and



only represent national capital once they have been located and evaluated.

The same general comments apply to base metals, particularly copper, where the total reserve position in relation to supply is very short. Consumption in general is greater than the rate of new discovery.

Then we have a title - Do the Ore Reserves Exist? The majority of ore bodies have, in the past, been found as a result of surface geological indications of one sort or another. No accurate estimate is available of the percentage of the earth's surface which outcrops, meaning that the rocks are actually exposed. Even in Canada's pre-Cambrian Shield a large percentage of the rock is covered by muskeg, glacial drift, soil and vegetation. In tropical areas the surface rocks are almost all weathered and hardly recognizable. Consequently only about five per cent of the earth's surface outcrops as recognizable rocks. Our past discoveries are, therefore, based on this five per cent examination.

On the whole ore bodies are quite small, relatively, in size. There is no reason why ore bodies should not exist, and, of course, they do, in the rocks lying below the five per cent already examined, without showing any easily identifiable





surface indication. It is safe to conclude that not even the surface area which is exposed and has been examined, has been exhausted of its mineral potential.

What we have reached, however, is a point in the mining industry where we have exhausted very largely the ore bodies which can be located by surface indications. Undoubtedly the prospector will still make occasional spectacular finds, but at a diminishing rate, and certainly not fast enough to replenish ore reserves. Yet it is doubtful whether five per cent of the world's ore reserves have yet been found.

Clearly some new methods for locating ore must be evolved.

The Effect of Geophysics - In the early days of the oil industry, all oil deposits were found by studying surface indications and this includes examination of structure which give direct clues to the location of the oil. It was not long before the obvious surface indications, world-wide, had been combed and, so-called, wildcat drilling took over. This, however, was far too costly since even large oil fields represent only a small percentage of the potential oil bearing areas. Some method for locating promising areas, which was cheaper than the drill, had to be found.



The oil industry turned to physical means as the solution and caused the building up of the very large oil geophysical industry centred on the United States. This has consisted for many years of a total in excess of four hundred seismic crews, many of whom are working in Canada. The average monthly cost of one crew is about twenty thousand dollars, thus representing an industry with a total annual business of ninety-six million dollars.

The same history appears to be the solution for the mining industry. Geophysical means for locating the huge potential ore reserves, which undoubtedly exist just below the surface, will obviously be the solution. This trend has been apparent for the last few years but has accelerated greatly in 1955. All the recent ore discoveries in New Brunswick have been made or aided by geophysics.

Will a Canadian geophysical industry develop? The United States has had a virtual world-wide monopoly on oil geophysics. Even British companies, such as Anglo-Iranian Oil Company, used exclusively U.S. crews in Iran and there was no alternative source of supply. More recently seismic companies have been setting up outside the U.S.A., but these employ largely U.S. equipment and technicians and are usually subsidiaries of established U.S.





geophysical companies.

The main reasons for the U.S. predominance are, first, technical, and second, the fact that the U.S. home market is so large. This latter fact has made export easy, thanks to low home overheads. The technical superiority has been due to the difficulty in a short time for foreigners to get the necessary experience, particularly since universities outside the U.S.A. have not been in a position to offer comparable training in the seismic field.

There is no reason, however, why the same pattern should be followed in mining geophysics. Traditionally Canada is the "home" of mining geophysics. Our universities cater to it. The mining geophysical industry, if it can be called such, in the U.S.A. hardly exists. In Canada it is still small but on a much larger scale than the U.S.A. There is, therefore, a real opportunity for Canada to play a dominant role, both domestically and world-wide, in mining geophysics.

At the present time the mining geophysical industry in Canada represents about six million dollars per annum in total business. This is likely to double over the next two years and continue to increase steadily. The main reason for the expansion, apart from the new needs of the mining industry, is the



technological advances which have been made in Canada in the past two years. The principal advance has been in airborne electro-magnetic equipment, which records electrical conductors in the ground. Since sulphide bodies (copper, lead, zinc, and so forth, are normally found in sulphide bodies)---- since live bodies are conductors, the electro-magnetic results can be used to direct attention to the promising areas on the grounds, even if there are no surface indications. The electro-magnetic system gives indications of conductors up to a depth of about three hundred feet.

At present operating airborne electro-magnetic equipment is available only in Canada, although attempts to develop comparable equipment elsewhere are taking place.

The effect of geophysics on the rate of mineral discovery: In the past mining geophysics has played a small but significant part in the discovery of ore. Being, however, a surface method it has been slow and costly to apply. This has meant that it has been used as a follow up to surface geological studies in order to define the limits of, for instance, a suspected ore occurrence. Thus geophysics has been a supporting tool of the geologist and largely confined to the exposed five per cent of





the earth's surface.

With the ability at last to put the main mining geophysical tools in an aircraft it has become economically possible to reverse the trend. It is now feasible to survey geophysically, large blocks of territory, whether the rocks are exposed or not, and to indicate where the ground studies by the geologist, accompanied by his drill, should take place. The result has been to increase greatly the rate of mining of ore by the companies now using these methods.

These airborne methods, combining magnetics, electro-magnetics and radioactivity, have been in use for two years. They have only been in extensive use for the past six months. In this two year period they have been responsible for adding ore reserves to the value of several hundred million dollars in Canada. As the use of these methods is still in its infancy, it is not unfair to conclude (a) that geophysical methods will increase the past rate of ore discovery, and enable the location of ore reserves to keep pace with the increasing rate of consumption; (b) that since Canada has a present lead in mining geophysical methods, it is likely that Canada will be the first to benefit from these new technologies; consequently that the base metal mining industry might reasonably be expected to expand relatively faster in Canada than



elsewhere, other things being equal; (c) that properly encouraged and actively pursued Canadian geophysical companies could play a major role in mining geophysics as contractors and consultants world-wide.

And that is the end of Mr. Kendall's brief.

THE CHAIRMAN - Thank you Mr. Scott. Just on that last point - I meant when reading it to ask you if you had anything specific in mind by the words "properly encouraged and actively pursued Canadian geophysical companies could play a major role in mining geophysics as contractors and consultants world-wide." What sort of encouragement do you mean?

MR. SCOTT - Well, of course, one form of encouragement is being supplied already in that the geophysical work can be applied towards assessment work on claims and we are now getting the rather new problem in that assessment work was planned to cover a rather small area in terms of one-quarter mile claims. One-quarter by one-quarter square. Now, with the airborne methods which certainly have so much in the way of new approach to offer, we are covering tremendous areas and it no longer pays to do just a few claims. In other words, a man may have ten claims and he may reap a very large benefit, explorationwise, by knowing what lies in the surrounding twenty-five square miles





yet he can only get credit for the actual flight lines that lie over his claims. That would be a case in point I think. In other words, it would be to the national advantage to have a survey covering the entire twenty-five square miles, or such as he happened to want from a scientific point of view --- while he can only obtain credit for - that is assessmentwise - for the quick flights over his claims; then of course we are thinking of the continued sponsorship and increasing sponsorship by government of airborne surveys. The first aeromagnetic surveys were more or less curiosities, not so many years ago, between now and the last war. Now, no intelligent prospector goes into the field without checking to see if some of Ottawa's surveys have covered that area. They have been accepted and it is quite a success in the realm of geophysics I think to be accepted in any way.

THE CHAIRMAN - I think that is a very clear answer and it is not the answer I expected we would get, but I wonder whether you feel that you should have a tax exemption for a number of years? I don't know how they could give you a depletion allowance but -- you have just said the kind of encouragement you are looking for and I think that is clear.

MR. GRAUER - On page 3 you say - "yet it is doubtful whether five per cent of the world's ore



reserves have yet been found. "I take it you mean five per cent of the reserves that can be found.

MR. SCOTT - Yes. I look on this five per cent as just a number and any other number would have done as well provided it was a small number because, as has been brought out by several speakers in the Ontario Mining Association, ore is a matter of definition and circumstance and the day may come that our demand for copper, for example, is strong enough that it would be extracted from granite, in which case we have a tremendous amount of mines yet.

MR. GRAUER - And the methods that you have described may mean, I suppose, they will eventually get below three hundred feet. Is that a fair deduction?

MR. SCOTT - Yes. There again three hundred feet is rather arbitrary. It may be a matter of the operation which will lead to the discovery. In other words, it would be just the cheese that attracts the mice.

MR. GRAUER - Well, the whole thing is pretty well in its infancy?

MR. SCOTT - Yes it is.

MR. GRAUER - So you can expect considerable improvement in techniques ?

MR. SCOTT - Yes. We certainly think that





over the next ten years the industry will be unrecognizable from ten years before.

MR. GUSHUE - There is just one point I was wondering about. Your suggestion here, of prospecting, geophysical prospecting, beyond the area which was being considered, say for twenty or thirty or fifty miles; the information that is gained -- would it be held by the individual?

MR. SCOTT - There is some precedent for this. A company in the States after the war did an airborne geophysical flight and one of the agreements under which it operated was that the results would be filed with Ottawa and would be kept confidential for three years -- or, if you couldn't find a mine for three years. That is the thinking anyway. It is up to someone else to do it.

THE CHAIRMAN - Thank you very much Mr. Scott. We will adjourn until tomorrow at ten.

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HEARING ADJOURNED  
AT 5.45 p.m

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